



INTERIM REPORT

January - June 2003

- Net sales amounted to SEK 4,342 M (4,787) in the second quarter and SEK 8,631 M (9,330) in the first half of the year. For comparable units/exchange rates, net sales during the period rose slightly more than 2 percent compared with the same period in 2002.
- Profit after tax rose 35 percent during the quarter to SEK 176 M (130) and 25 percent during the first half of the year to SEK 317 M (254).
- Earnings per share rose 40 percent during the quarter to SEK 2.10 (1.50) and 29 percent during the first half of the year to SEK 3.80 (2.95).
- Profit after net financial items increased during the quarter to SEK 277 M (199) and during the first half of the year to SEK 500 M (372).
- First half of the year, excluding items affecting comparability:
 - Operating profit SEK 529 M (515)
 - Profit after net financial items SEK 481 M (453)
 - Profit after tax SEK 298 M (314)
 - Earnings per share SEK 3.55 (3.65)
- Acquisition of the Kunhwa auto components company in South Korea and the ETU industrial profiles company in Germany.
- Decision to further consolidate Automotive production structure in North America.

Group – first half of 2003

Net sales and earnings

Favorable earnings trend despite weak market conditions

Consolidated net sales amounted to SEK 8,631 M (9,330) in the first half of the year. For comparable units/exchange rates, sales rose 2 percent compared with the same period in the preceding year. During the *second quarter*, net sales were SEK 4,342 M (4,787).

Operating profit excluding items affecting comparability amounted to SEK 529 M (515) during the first half of the year. No items affecting comparability affected operating profit (expense: SEK 43 M).

Changed exchange rates in the translation of the net earnings of foreign subsidiaries reduced consolidated profit by SEK 31 M compared with the year-earlier period.

During the *second quarter*, operating profit excluding items affecting comparability amounted to SEK 297 M (309). No items affecting comparability affected operating profit (expense: SEK 30 M).

Net earnings were adversely affected by the reduced sales in Automotive in North America resulting from a weak vehicle market. This was offset by increased sales in Europe and Asia, as well as by improved production efficiency in Europe. Trelleborg Wheel Systems, where restructuring measures had an effect, showed an improvement in its earnings, while Trelleborg Engineered Systems reported increases in both sales and earnings. The weak construction market in Scandinavia and Germany affected sales in Trelleborg Building Systems. However, sales volume did recover, particularly in the second quarter.

Consolidated net financial items were negative in an amount of SEK 48 M (negative: 62) during the first half of the year. Profit after net financial items was SEK 500 M (372) – SEK 481 M (453) excluding items affecting comparability. In the *second quarter*, profit after net financial items, excluding items affecting profitability, was SEK 270 M (280). Profit after tax increased to SEK 176 M (130).

Earnings per share *during the first half of the year increased to SEK 3.80 (2.95)*

Earnings per share during the first half of the year were SEK 3.80 (2.95) – SEK 3.55 (3.65) excluding items affecting comparability. Earnings per share excluding items affecting comparability and goodwill amortization amounted to SEK 4.45 (4.50). Earnings per share during the *second quarter* were SEK 2.10 (1.50).

Balance sheet, cash flow, investments, human resources

Consolidated cash flow from operations was SEK 288 M (358) in the first half of the year. The investment level was lower than during the year-earlier period, SEK 254 M (352). From a seasonally low level at year-end 2002, operating capital increased by SEK 348 M (255).

Consolidated operating capital amounted to SEK 9,864 M (10,052) at the end of the first half of the year. Net financial debt amounted to SEK 2,917 M (debt: 3,261).

The debt/equity ratio at the end of the period amounted to 39.8 percent (43.3). The equity/assets ratio was 46.6 percent (45.5). Shareholders' equity per share (net 83.4 million outstanding) amounted at the end of the period to SEK 85.85 (85.30). The return on equity amounted to 8.8 percent (6.7).

The average number of employees during the first half of the year was 14,539 (15,317).

Business areas – first half of 2003

Trelleborg Automotive

Profit in line with preceding year; increased volume in Europe and Asia

During the first half of the year, the business area's net sales amounted to SEK 4,617 M (4,911). In comparable currencies, sales rose 2 percent compared with the year-earlier period. Operating profit, SEK 322 M (322), was in line with the preceding year. The business area's cash flow from operations amounted to SEK 257 M (92). During the **second quarter**, net sales amounted to SEK 2,297 M (2,524), and operating profit was SEK 173 M (176).

Automobile production in North America declined during the first half of the year by 3.4 percent compared with the same period in 2002. In the second quarter of 2003, production figures showed a slight increase compared with the three preceding quarters. Sales of light vehicles in the second quarter declined, but were still better than expected, owing partly to the ongoing high incentive levels. In Western Europe, automobile production declined during the first half of the year by 2 percent while automobile sales declined by 4.6 percent. *(Source: JD Powers/Trelleborg June 2003).*

Efficiency improvements in Europe and increased volume in Asia had a favorable impact on earnings, partially offsetting the weaker sales in North America.

During the second quarter, Trelleborg signed and implemented an agreement to acquire 51 percent of the vehicle components company Kunhwa Co. Ltd. in South Korea. Kunhwa has sales of approximately SEK 225 M and employs 220 people. Its operations focus on Antivibration Systems (AVS) and thermoplastic and rubber boots, areas in which Trelleborg has a world-leading position.

During the second quarter, it was decided to close the plant at Logansport, Indiana in the US. This marks the final stage of the integration and rationalization program launched in connection with the acquisition of the auto components company BTR. The Logansport plant produces mainly antivibration products and has a total of 335 employees. Most of the production will be relocated to other units during 2003 and the project is expected to be completed by mid-year 2004. The number of plant units in the Automotive business area has decreased by six since the beginning of the integration program.

During the quarter, Trelleborg Automotive secured a major order from Ford Motors with an estimated annual value of USD 25 M. The contract includes engine mounts for the Mondeo, the Land Rover Freelander, the Volvo V/S 70 and XC70. Deliveries will take place from the business area's plants in North America and Europe. Production is expected to start in Q3 2006.

Trelleborg Wheel Systems

33 percent improvement in profit

Net sales in the first half of the year amounted to SEK 1,470 M (1,475). In comparable currencies, sales rose 5 percent compared with the year-earlier period. Operating profit rose by 33 percent to SEK 84 M (63). The business area's cash flow from operations was negative in an amount of SEK 40 M (positive: 49). During the **second quarter**, net sales amounted to SEK 713 M (751). Operating profit was SEK 39 M (38).

During the first half of the year, operating profit was favorably affected by the restructuring program and by the positive product mix and increased productivity. High raw materials prices were partially offset by price increases, particularly in farm tires.

Mainly due to a weak after-market, the market for farm tires in Europe declined by approximately 8 percent during the second quarter. The decline is considered partly a reaction to the strong market trend of the first quarter and partly a result of lower farm revenues and uncertainty regarding EU subsidization. The radial tires segment, however, in which Trelleborg Wheel Systems has a strong position, declined less than the rest of the market. During the quarter, the business area launched several marketing activities and promotional measures to counteract the weak demand for farm tires in Europe. In North America, the market for farm tires was relatively unchanged compared with 2002.

The market for industrial tires in Europe, which is affected by overall industrial production, declined by 7 percent compared with the second quarter of the preceding year. In spite of this trend Trelleborg Wheel Systems recorded positive sales development. In North America, the market trend for industrial tires was favorable, giving cause for a cautious optimism regarding both OEM (original assembly) and the after-market.

Trelleborg Wheel Systems reported ongoing strong sales growth in geographic markets outside North America and Western Europe, such as South America, South Africa, Asia and Eastern Europe.

The program of restructuring within the business area is affecting earnings as planned.

Global delivery of industrial tires to Nacco Material Handling Group has begun, in accordance with the supplier agreement signed during the first quarter of 2003. Full-scale delivery is expected as of the third quarter.

Trelleborg Engineered Systems

Ongoing earnings growth, favorable order inflow in project-related operations

Net sales amounted to SEK 1,826 M (1,803) in the first half of the year. In comparable currencies, sales rose 2 percent compared with the same period in the preceding year. Operating profit increased 15 percent to SEK 110 M (96). The business area's operating cash flow amounted to SEK 86 M (144). Net sales in the **second quarter** were SEK 919 M (898). Operating profit increased to SEK 54 M (47).

The increased operating profit is mainly attributable to the business area's successful integration process and to increased sales in project-related operations.

The market for industrial consumables continues to be weak in both Europe and North America. In the US, a continuation of the decline was reported, whereas in Europe the situation has stabilized. Regarding project-related products, the supply of projects varies between the sectors – however, the total situation can be characterized as stable.

During the period, Trelleborg Engineered Systems successfully strengthened its position and captured market share in the project-related sectors in which the business area operates. Sales to customers in infrastructure and oil/offshore increased. The trend of sales was favorable for fender systems in North America and niche products in offshore in Asia.

A focus on selected Industrial Hose segments with higher earnings potential produced good results and led to a favorable trend within the unit.

During the second quarter, several major project orders were received, particularly in oil/offshore. A large order for installation of an Elastopipe system in the Oseberg Feltcenter belonging to Norsk Hydro was received from ABB Offshore Systems. The value of this initial phase of the order amounts to approximately SEK 30 M, with an option to undertake additional orders worth approximately SEK 80 M in 2003/2004. Several orders for marine fender systems were also received, including one order for Dover, UK, valued at over SEK 13 M.

Trelleborg Building Systems

Recovery during the second quarter; earnings improvement despite ongoing weak market.

Net sales for Trelleborg Building Systems amounted to SEK 870 M (891) in the first half of the year. In comparable currencies, sales declined 2 percent compared with the preceding year. Operating profit was SEK 50 M (58). The business area's operating cash flow amounted to SEK 11 M (83). The investment level increased, owing to the establishment of a new production line in Germany. During the **second quarter**, net sales were SEK 486 M (496). Operating profit increased to SEK 47 M (45) as a result of cost efficiencies combined with increased marketing efforts.

The weakness in the market trend and in demand in the Scandinavian construction market is ongoing. During the first half of the year, the market in Western Europe was otherwise relatively stable, with the exception of demand in Germany, which declined compared with the preceding year.

Earnings during the first half of the year were affected by the lower sales volume, particularly during the first quarter, caused by the market trend in Sweden and Germany. High energy costs also had an impact.

A recovery of sales volume occurred during the second quarter. All units of Trelleborg Building Systems improved their cost-efficiency. This, combined with increased marketing efforts, contributed to the earnings improvement as well as to the increased market share.

The strategic cooperation agreement with JPS Elastomerics that was signed in 2002 has developed well. As a result of this agreement, the business area was chosen as supplier to the European units of Abbott Laboratories. The first phase of a larger order of TPO products to units in England took place during the second quarter.

The integration of the German industrial profiles company, ETU GmbH, which was acquired during the second quarter, is proceeding as planned. ETU, which has approximately SEK 50 M in sales and 18 employees, complements and strengthens the business area's product-development capacity.

Other – first half of 2003

Associated companies and financial investments

The Trelleborg Group's participation in the pretax earnings of the Trenor Group (49 percent) – Ahlsell, Bröderna Edstrand, Reynolds – amounted to SEK 42 M (52) during the first half of the year. During the quarter, the participation amounted to SEK 24 M (38). Net earnings were reduced by SEK 6 M resulting from the closing-down of Ahlsell's operations in Poland. The book value of the Group's Trenor shareholding is SEK 286 M.

During the first half of 2003, the Group divested 2,969,000 shares in Boliden AB, of which 751,000 during the second quarter. This brings the Group's holding of shares in Boliden to approximately 2.3 million shares (2.7 percent). The book value of the Group's Boliden shareholding is SEK 40 M. The Boliden shareholding affected earnings after net financial items by SEK 19 M (expense: 38). The capital gain on the divestment amounts to SEK 11 M, and the revaluation of remaining shares at market value on the closing date to SEK 8 M.

Repurchase of company shares

During the first half of the year, 272,500 shares were repurchased. No shares were repurchased during the second quarter. In total, the Group owns 7,193,000 treasury shares.

Convertibles and warrants

The Parent Company issued a convertible debenture loan in November 1998, which was offered to all employees of Trelleborg's Swedish companies. Conversion to shares may take place from February 21, 2003 to April 15, 2004. After the decision by the Annual General Meeting to distribute a dividend of SEK 4.25 per share for the 2002 fiscal year, the conversion rate was recalculated according to the terms for the convertibles to a new rate of SEK 65.60. The Company also issued warrants aimed at company officers in Sweden and the other Group countries, which were also recalculated according to the terms for the warrants to SEK 65.60.

Parent Company – first half of 2003

Profit after net financial income and expense for Trelleborg AB, the Parent Company of the Trelleborg Group, amounted to SEK 207 M (99). There were no sales. Investments amounted to SEK 0 M (1). The average number of employees was 65 (64).

Outlook

Trelleborg prioritizes ongoing efficiency enhancement and growth

The previously communicated forecast for the full year remains unchanged – that is, vehicle production for the full year is expected to be somewhat weaker compared with the preceding year in both the US and Europe.

It is expected that industrial production will continue to be weak during the third quarter, possibly improving at year-end, particularly in North America.

The Trelleborg Group prioritizes ongoing efficiency enhancement, focusing on strengthening its positions through organic growth as well as growth through acquisition.

Trelleborg, July 21, 2003

Fredrik Arp

President

During the year, the Group started applying the new recommendations of the Swedish Financial Accounting Standards Council. However, the introduction of these recommendations has not caused any changes to the figures reported. Otherwise, the interim report was prepared in accordance with the same principles as the most recent annual report. The report is unaudited.

This interim report and other information from the Trelleborg Group, such as stakeholder magazine *T-TIME*, are also available on the Internet at www.trelleborg.com.

The nine-month interim report for 2003 will be published on October 22, 2003.

Further information can be obtained from

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Income Statements

Group SEK M	Apr-June		Jan-June		July 2002- June 2003	Full year 2002
	2003	2002	2003	2002		
Net sales	4 342	4 787	8 631	9 330	16 931	17 630
Cost of goods sold	-3 314	-3 719	-6 640	-7 309	-13 093	-13 762
Gross profit	1 028	1 068	1 991	2 021	3 838	3 868
Selling, administration and R&D costs	-787	-824	-1 581	-1 649	-3 077	-3 145
Items affecting comparability	-	-30	-	-43	-32	-75
Other operating revenues and expenses	25	18	63	74	147	158
Result from participation in associated companies	31	47	56	69	127	140
Operating profit	297	279	529	472	1 003	946
Financial income and expenses	-27	-29	-48	-62	-105	-119
Items affecting comparability related to Boliden	7	-51	19	-38	-93	-150
Profit after financial items	277	199	500	372	805	677
Tax	-96	-65	-175	-112	-316	-253
Minority shares	-5	-4	-8	-6	-16	-14
Net profit	176	130	317	254	473	410

Profit excluding items affecting comparability SEK M	Apr – June		Jan – June		July 2002- June 2003	Full year 2002
	2003	2002	2003	2002		
Operating profit	297	309	529	515	1 035	1 021
Profit after financial items	270	280	481	453	930	902
Net profit	169	190	298	314	606	622

Earnings per share SEK	Apr – June		Jan – June		July 2002- June 2003	Full year 2002
	2003	2002	2003	2002		
Earnings ¹⁾	2,10	1,50	3,80	2,95	5,60	4,75
Earnings excluding items affecting comparability ¹⁾	2,00	2,20	3,55	3,65	7,15	7,25
Earnings excluding items affecting comparability and goodwill amortization ¹⁾	2,50	2,65	4,45	4,50	8,90	8,95
Earnings after dilution ²⁾	2,00	1,45	3,65	2,85	5,45	4,65

Number of shares excluding own holdings	Apr – June		Jan – June		July 2002- June 2003	Full year 2002
	2003	2002	2003	2002		
End of period	83 414 272	86 646 572	83 414 272	86 646 572	83 414 272	83 686 772
¹⁾ Average number	83 414 272	86 646 572	83 512 715	86 646 572	84 690 557	86 150 341
End of period after dilution	87 546 768	91 167 917	87 546 768	91 167 917	87 546 768	88 029 107
²⁾ Average number after dilution	87 745 766	90 863 443	87 645 211	91 167 917	88 929 190	90 492 676

Balance Sheets

Group	June 30	June 30	Dec 31
SEK M	2003	2002	2002
Intangible fixed assets	2 517	2 669	2 627
Tangible fixed assets	4 859	4 920	5 007
Financial fixed assets	1 047	1 145	1 108
Inventories	2 084	2 191	2 082
Receivables	4 630	4 789	4 091
Liquid funds	577	796	485
Total assets	15 714	16 510	15 400
Shareholders' equity	7 162	7 389	7 284
Minority interest	159	124	125
Provisions	886	1 171	1 035
Long-term liabilities	3 691	3 976	3 433
Current liabilities	3 816	3 850	3 523
Total shareholders' equity, provisions and liabilities	15 714	16 510	15 400

Specification of changes in shareholders' equity	June 30	June 30	Dec 31
SEK M	2003	2002	2002
Opening balance	7 284	7 690	7 690
Dividend	-355	-347	-347
Repurchase of own shares	-19	-	-218
Translation differences	-218	-521	-606
Exchange-rate differences, hedging instruments, after tax	153	313	355
Net profit	317	254	410
Closing balance	7 162	7 389	7 284

Key Figures

Group	Jan – June 2003	2002	July 2002 – June 2003	Full year 2002
Net sales, SEK M	8 631	9 330	16 931	17 630
Operating profit excluding items affecting comparability, SEK M	529	515	1 035	1 021
Profit after financial items excluding items affecting comparability, SEK M	481	453	930	902
Profit after financial items, SEK M	500	372	805	677
Operating margin (ROS), %	5,4	4,8	5,4	5,0
Return on capital employed, excluding goodwill amortization (ROA-ex), %	12,2	11,4	12,2	11,7
Cash flow from operations, SEK M	288	358	966	1 036
Cash flow from operations per share, SEK ¹⁾	3,45	4,15	11,35	12,05
Free cash flow per share, SEK ²⁾	1,70	2,30	8,00	8,60
Investments in plants excl. acquisitions, SEK M	254	352	641	739
Financial assets minus liabilities at end of period, SEK M	-2 917	-3 261	-2 917	-2 962
Equity/Assets ratio, %	46,6	45,5	46,6	48,1
Debt/Equity ratio, %	39,8	43,4	39,8	40,0
Shareholders' equity per share, SEK ³⁾	85,85	85,30	85,85	87,05
Return on shareholders' equity, %	8,8	6,7	6,5	5,5
Return on shareholders' equity, excl. items affecting comparability, %	8,2	8,3	8,3	8,3
Return on shareholders' equity, excl. items affecting comparability and goodwill amortization, %	10,3	10,3	10,3	10,3
Average number of employees	14 539	15 317		14 885
of whom women	2 996	3 532		3 227
men	11 543	11 785		11 658

¹⁾ Average number of shares at end of period, excluding own holdings

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

³⁾ Number of shares at end of period, excluding own holdings

Cash flow analysis

SEK M	Jan - June	
	2003	2002
Ongoing operations		
Operating profit	529	472
<i>Reversals</i>		
Depreciation	400	441
Items affecting comparability	-	43
Result from participation in associated companies	-56	-69
	873	887
Financial items	61	18
Taxes paid	-69	-33
Cash flow from ongoing operations before changes in working capital	865	872
Change in inventories	-51	2
Change in operating receivables	-532	-393
Change in operating liabilities	235	136
Utilization of restructuring reserves	-21	-193
Cash flow from ongoing operations	496	424
Investment operations		
Acquisitions	-105	-21
Restructuring measures in acquired units	-115	-93
Divestments	-	4
Gross investments in tangible and intangible assets	-254	-352
Sale of fixed assets	17	78
Cash flow from investment operations	-457	-384
Financing operations		
Change in interest-bearing investments	16	30
Change in interest-bearing liabilities	430	48
Repurchase of Trelleborg shares	-19	0
Dividend to shareholders	-355	-347
Cash flow from the financing operations	72	-269
Cash flow for the period	111	-229
Liquid funds at beginning of the year	485	1 118
Revaluation of shares in Boliden	8	-38
Exchange rate differences in liquid funds	-27	-55
Liquid funds at end of period	577	796

Group Review ^{A)}

Net sales

SEK M	Apr-June		Jan-June		July 2002- June 2003	Full year
	2003	2002	2003	2002		2002
Trelleborg Automotive	2 297	2 524	4 617	4 911	9 003	9 297
Trelleborg Wheel Systems	713	751	1 470	1 475	2 759	2 764
Trelleborg Engineered Systems	919	898	1 826	1 803	3 545	3 522
Trelleborg Building Systems	486	496	870	891	1 859	1 880
Other companies	-	200	-	412	59	471
Elimination	-73	-82	-152	-162	-294	-304
Group	4 342	4 787	8 631	9 330	16 931	17 630

Operating profit

SEK M	Apr-June		Jan-June		July 2002- June 2003	Full year
	2003	2002	2003	2002		2002
Trelleborg Automotive	173	176	322	322	601	601
Trelleborg Wheel Systems	39	38	84	63	148	127
Trelleborg Engineered Systems	54	47	110	96	213	199
Trelleborg Building Systems	47	45	50	58	146	154
Group items	-37	-32	-74	-71	-163	-160
Trenor	24	38	42	52	96	106
Other companies	-3	-3	-5	-5	-6	-6
Group, excluding items affecting comparability	297	309	529	515	1 035	1 021
Items affecting comparability	-	-30	-	-43	-32	-75
Group	297	279	529	472	1 003	946

Key operating ratios

	Operating margin, (ROS) % ¹⁾ , rolling 12-mts			Return on capital employed, (ROA) % ²⁾ , rolling 12-mts		
	July 02- June 03	July 01- June 02	Full year 2002	July 02- June 03	July 01- June 02	Full year 2002
Trelleborg Automotive	6,4	6,9	6,1	11,4	12,0	10,8
Trelleborg Wheel Systems	5,3	2,0	4,6	9,4	3,5	8,2
Trelleborg Engineered Systems	6,0	5,2	5,7	12,3	10,1	11,3
Trelleborg Building Systems	7,8	7,3	8,1	18,8	16,7	19,5
Group	5,4	4,8	5,0	10,5	9,8	10,0
Group, excl. goodwill amortization				12,2	11,4	11,7

¹⁾ Operating result excluding result from participation in associated companies and items affecting comparability in relations to net sales

²⁾ Operating result excluding items affecting comparability/average capital employed.

Capital employed ¹⁾

SEK M	June 30 2003	June 30 2002	Dec 31 2002
Trelleborg Automotive	5 219	5 510	5 347
Trelleborg Wheel Systems	1 591	1 493	1 522
Trelleborg Engineered Systems	1 771	1 711	1 772
Trelleborg Building Systems	819	784	748
Group items	12	49	71
Trenor	286	210	240
Other companies	166	295	186
Group	9 864	10 052	9 886

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

Cash flow report

Jan - June 2003	Profit/loss excluding associated companies and items affecting comparability	Depre- ciation ex. gw amorti- zation	Good- will amorti- zation	Gross invest- ments	Sold fixed assets	Change in working capital	Total Cash flow	Jan - June 2002	July 02- June 03
SEK M									
Trelleborg Automotive	307	181	52	-149	9	-143	257	92	668
Trelleborg Wheel Systems	84	52	9	-48	0	-137	-40	49	72
Trelleborg Engineered System	110	60	10	-36	2	-60	86	144	223
Trelleborg Building Systems	50	21	9	-21	1	-49	11	83	153
Group items	-74	2	0	0	5	27	-40	-28	-147
Other companies	-4	4	-	0	-	14	14	18	-3
Operating cash flow	473	320	80	-254	17	-348	288	358	966
Acquisitions							-105	-21	-217
Divestments							-	4	123
Restructuring measures incl. in acquired units							-136	-286	-309
Dividend to shareholders							-355	-347	-355
Buy-back of own shares							-19	-	-237
Financial items							61	18	131
Paid tax							-69	-33	-61
Sum net cash flow							-335	-307	41

A) For comparability, historical data has been adjusted regarding the shift of operations from Trelleborg Wheel Systems to Trelleborg Engineered Systems.