



INTERIM REPORT

January – September 2000

Profit after net financial income and expense rose to SEK 1,016 M (643)



Operating profit increased to SEK 1,106 M (670)



Operating profit in core operations increased to SEK 635 M (391))



Specified annual growth objective 15-20 percent



The balance sheet will continue to normalize as a result of the new buy-back programs



Group

Net sales and earnings

The Group's net sales for the nine-month period totaled SEK 10,037 M (corresponding period of 1999: 18,320). For comparable units, net sales rose 7 percent.

Group operating profit rose to SEK 1,016 M (670). The improvement in earnings within all business areas and the newly acquired AVS operations within the Automotive business area increased the earnings of the Group's core operations by SEK 244 M, which more than offset the decrease in earnings resulting from the divestment of units in 1999.

The Group's participation (49 percent) in the pretax results of the Trenor Group – Trelleborg's former Distribution Sector operations – amounted to profit of SEK 131 M, compared with operating profit of SEK 322 M for the Distribution Sector as a whole during the corresponding period of 1999.

Operating earnings were positively affected during the period in an amount of SEK 351 M (neg: 73) by non-comparable items related to gains from Trenor's divestment of Starkki (SEK 106 M) and the repayment of surplus funds from SPP (SEK 247 M).

The Group's financial net amounted to income of SEK 10 M (expense: 27). This does not include the SEK 100 M write-down of the preference shares in Boliden Ltd. Profit after financial income and expense amounted to SEK 1,016 M (643) and excluding non-comparable items amounted to SEK 765 M (716). Earnings per share for the period totaled SEK 6.20 (3.80) and excluding non-comparable items earnings per share totaled SEK 4.85 (4.40).

Balance sheet, cash flow and investments

The Group's capital employed amounted to SEK 8,245 M (10,596) at the end of the period. Net interest-bearing assets totaled SEK 100 M and the equity/assets ratio was 61.8 percent. The Group's liquid funds include the holding of preference shares in Boliden Ltd, with a book value of SEK 424 M following the above write-down. The book value of the Group's shareholding in Trenor Holding is SEK 31 M.

The Group's cash flow from operations during the period amounted to SEK 390 M (564 and investments totaled SEK 360 M (607).

Core operations

In accordance with the strategy established during the first half of 1999, the Trelleborg Group concentrates its operations to four business areas, namely: Trelleborg Automotive, Trelleborg Wheel Systems, Trelleborg Engineered Systems and Trelleborg Building Systems. Refer also to "Strategic direction and objectives" below.

Net sales for the Group's core operations rose during the period to SEK 9,490 M (6,468), an increase of 47 percent. Including Group-wide expenses, earnings for core operations during the period rose to SEK 635 M (391), an increase of 62 percent. During the most recent five-year period, both net sales and earnings for core operations have increased by an average of about 30 percent per year. (*See table on page 12*).

Restructuring program

During 1999, the decision was made to introduce a restructuring program for the Group's industrial operations that resulted in a total of SEK 259 M being charged against 1999 earnings. The implementation of the restructuring program to increase the efficiency of operations within the different business areas is proceeding according to plan.

The projects have led to workforce reductions involving 120 jobs to date and will continue during future period with cuts affecting a further 80 persons. The restructuring program is expected to generate a positive effect on earnings of SEK 37 M for year 2000 as a whole. When fully implemented, the program will generate an annual earnings improvement of SEK 75 M commencing year 2001.

Trelleborg Automotive

The antivibration systems (AVS) operations acquired from Invensys in the UK have been included in the business area's earnings as of March 1, 2000. Earnings for the January-September period were positively affected by a strong sales trend in the United States and a slightly improved European market. The market in Brazil showed signs of a recovery following the earlier weak trend, while the Chinese market remained soft.

The business area's net sales for the first nine months of the year amounted to SEK 4,208 M (1,487). Excluding newly acquired operations, sales rose by around 13 percent, primarily as a result of a growth in volume of business in North America and noise-suppression applications. The acquired AVS operations developed in line with expectations. Operating profit rose during the period to SEK 343 M (153). Excluding acquisitions, this corresponded to an increase of around 35 percent.

Trelleborg's acquisition of Invensys AVS was implemented on March 1, 2000, at which time an integration and restructuring process was started. The plans for this process are now established and have been divided up into three sub-projects relating to operations in America, Europe and Industrial AVS, of which the European sub-project is decidedly the most extensive.

The business area's units in the United States will be fully integrated at year-end 2000, which involves a concentration of administrative services and R&D to the head office of the American operations in South Haven, Michigan.

The European integration project includes the introduction of an overall integrated organization of the same type employed by the business area in the US plus a concentration of production. Purchasing, technological development, bid-tendering and sales operations will thus be integrated and centralized to Höhr-Grenzhausen in Germany, which is where the head office of European operations has now been established. Production in Europe will be concentrated and made more efficient through the closure of the Peterborough plant in the UK and the Neumünster plant in Germany during 2001. Furthermore, the Swedish units in Horda and Ohs were sold following the close of the period to Vätterledens Invest.

The integration of Metalastik and Novibra, now named Trelleborg Industrial AVS, is continuing through the now implemented merger and concentration of the two marketing organizations. The management function has also been relocated to the main plant in Leicester, UK.

A restructuring reserve of approximately SEK 500 M has been set aside for planned integration projects that will include newly acquired and earlier Automotive units. It is expected that the integration measures will begin to have an effect on the business area's operating profit during the second half of 2000 and should be concluded during 2002. The annual effect on earnings thereafter is estimated to be around SEK 175 M.

The business area has introduced a new electronic purchasing system. The system is expected to reduce the number of external suppliers and increase the overall efficiency of the purchasing process.

During the period, the business area secured a number of strategically important orders, notably a key order for Electronically Controlled Air Suspension (ECAS) components for a model series for a large North American auto producer. The model series covers about 25,000 vehicles and the order is expected to have production duration of 5-7 years. This new order, valued at around USD 17 M per year, is a good example of a new and highly attractive area, active suppression, or electronically controlled suppression.

The Laminates product area continues to show strong growth, with new orders for auto producers in Asia. In addition, new product opportunities have been opened up for the noise suppression material Duralam.

Trelleborg Wheel Systems

Net sales for the period amounted to SEK 2,258 M, compared with SEK 2,144 M for the first nine months of 1999. Operating profit for the period amounted to SEK 158 M (130), up 22 percent compared with the year-earlier figure.

With the exception of the after-market for farm machine tires in Europe, all segments of the business area noted strong demand during the period. Demand for forest machine tires remained high.

Tractors sold favorably during the period, which led to good sales of tires to tractor manufacturers. On the other hand, demand in the after market, particularly in Europe, was relatively weak. During the period, Trelleborg/Pirelli launched a new tractor tire, the TM 600, and is preparing to launch the TM 900, a tire designed for the largest tractors in the market. These two introductions mean that Trelleborg/Pirelli can now offer tires within all tractor segments.

Forklift truck manufacturers in North America increased their production during the period, which resulted in strong demand for tires. Further successes were noted during the period in terms of wheel-rim deliveries to the OEM segment, as exemplified by orders from Mitsubishi CAT. The European market for industrial tires recovered slightly during the period.

During the period, Trelleborg signed a three-year contract with the Singapore Harbor Authority to become sole supplier of complete wheels, solid tires on rims, for all harbor vehicles, where such products are applicable.

The approved restructuring projects are progressing according to plan. The projects include structural rationalization measures within the business area's European operations, where two Belgian units are being closed and the production of light industrial tires concentrated. During the period, the rim manufacturing unit was relocated from Herentals in Belgium to Sävsjö in Sweden, a move that was completed during the third quarter.

Trelleborg Engineered Systems

Net sales during the first nine months of the year amounted to SEK 2,180 M (2,151). Operating profit rose 19 percent to SEK 98 M (83), primarily as a result of cost rationalization measures.

The market for industrial supply products in Europe improved and sales increases were noted, primarily in Scandinavian and southern European markets. The infrastructure market, which is highly project-dependent, developed positively, with satisfactory order bookings and work on hand. Major orders were reported for rubber flooring for the US market, oil hose for West African projects and fender systems for South America.

The sales success of laminated polymer operations continued in European markets, while Mexican operations are undergoing a major restructuring phase.

The offshore market developed positively in the Gulf of Mexico and West Africa. Low demand continued to be noted in the North Sea sector, but increased project operations were noted, however.

The business area's operations in Canada developed favorably, with sales successes for industrial supplies noted in the Alberta region in particular.

As part of the current restructuring of Industrial hose operations, extensive machine and product relocations from the Swedish to the French plant were undertaken during the period. Production is being concentrated to special (woven) hose in the Swedish plant and substantial cost savings are being achieved at both units.

Efforts to introduce modern environmental management systems certified in accordance with ISO 14001 are continuing. Today, ten of the business area's production plants have been certified.

Trelleborg Building Systems

Net sales rose to SEK 1,098 M (1,010) and operating profit to SEK 127 M (105), up 22 percent.

All units within the Building Systems business area developed more favorably than during the corresponding period of 1999. The satisfactory demand noted in most European markets continued and strengthened in some markets during the third quarter. Demand in the Swedish building sector, which has been favorable during the year, declined slightly during the third quarter. However, this trend is considered to be of a temporary nature.

Attractive penetrations were made in eastern European markets, especially Poland and Hungary, which have strong construction sectors. Trelleborg established operations in eastern Europe at an early stage, a strategy that is now beginning to bear fruit.

The business area also penetrated other geographic markets outside Europe.

As a result of increased repair and renovation operations in continental Europe, a change in the trend of demand in the windows market segment has been noted from wooden- to aluminum- and PVC-based window systems. The change favors Trelleborg somewhat, since the business area has a strong position in the expanding segment.

An increase in project demand has been noted in the rubber sheeting and roof coverings areas. This, in combination with the successes achieved by the new Elastoseal product system, resulted in stronger sales and earnings for the Rubber Membranes business unit.

Continuing efficiency enhancement measures within the business area's production units also contributed to the favorable trend of earnings. Particular improvements were noted in the Rubber Membranes and Materials business units.

The Roofing business unit has now concentrated its production to Höganäs (Sweden), while production at Trebolit in Trelleborg has simultaneously been phased out as part of the restructuring projects noted earlier.

Group-wide activities

Surplus funds from SPP

It has been confirmed that the Trelleborg Group will be repaid SEK 245 M of the allotted consolidation surplus from the Swedish Staff Pension Society (SPP). Since the Group has already paid in its Pension Registration Institute (PRI) liabilities, which exceeds the allotted amount, the SEK 245 M will be paid to Trelleborg during the fourth quarter of 2000.

Starkki sold by Trenor

During the period, Trenor Holding, in which Trelleborg has a 49-percent holding, sold the Starkki Oy building materials chain to the Danske Traelast Group, which resulted in the Trelleborg Group's earnings being positively affected in an amount of SEK 106 M. The divestment means that the long-term loan made to Trenor Holding to a large extent has been repaid.

Sale of Other Activities sector

The sale of the Other Activities sector has largely been concluded. This means that overall the divestment process is proceeding according to the originally announced plan, although some sales have taken longer than estimated. The remaining assets consist of American metals recovery company Metech and an industrial property in Stockholm. The process surrounding the sale of metals-recovery company Metech is underway with a number of interested prospective buyers. The originally stated affect of the sale of this sector on earnings (an estimated SEK – 100 M – SEK 0 M) remains unchanged.

Convertibles

At today's meeting, the Trelleborg Board decided to list the convertibles subscribed for by Group employees in November 1998. The decision means that it will be possible to trade in the Trelleborg Group convertibles via the OM Stockholm Exchange before year-end 2000.

Strategic direction and objectives

During spring 1999, the Board approved a new strategic direction for the Group, which in essence means a concentration to, and an expansion of, Trelleborg's operations in the Industrial sector. It was estimated that this

repositioning of the Trelleborg Group would take three years. Half way through the work, a comprehensive survey was made to identify the Group's continued growth prospects.

At its meeting on Wednesday, the Board approved a definitive corporate growth strategy and growth objectives.

Growth shall be sought primarily within polymer-based technological and market areas and will focus on providing functional and system solutions. A substantial proportion of the growth will be acquisition-driven and will involve integration work to achieve value-generating synergies and Trelleborg's corporate growth objectives. Accordingly, to attain a reasonable balance between strong growth and accompanying responsible integration work, a minimum annual growth objective of 15-20 percent has been set.

The return on capital employed objective, excluding goodwill amortization, remains unchanged at 15 percent. The return on shareholders' equity objective is also unchanged at 15 percent.

To normalize the balance sheet and achieve the return on shareholders' equity goal, Trelleborg will need a different financial structure.

Accordingly, the Board decided to commence the share buy-back program as mandated by the Special General Meeting on June 27, 2000 (see below).

In addition, the Board intends to convene a Special General Meeting at the beginning of 2001 and propose that a synthetic buy-back program for a maximum of 20 million shares be undertaken.

Accordingly, the consequences of the above-named activities should lead to a net indebtedness during the middle of 2001 that is in line with that of Sweden's engineering industry as a whole (currently averaging 0.45), while substantial financial scope remains for the continued forceful expansion of the Group's core operations.

Trelleborg's long-term net indebtedness goal continues to be 0.75-1.25.

Board decides to commence buy-back of a further 10 percent of own shares outstanding

At a Special General Meeting of Trelleborg AB shareholders on June 27, the decision was made to reduce the Company's share capital through the cancellation of the Trelleborg shares repurchased by the Company (11,734,152 shares, corresponding to 10 percent of the total number of shares outstanding) and to effect a SEK 775,000,000 reduction in the Company's statutory reserve. Registration of the decision regarding the reduction has been received. The total amount of shares is now 105,607,372.

The Special General Meeting also authorized that, when the reduction in share capital has been completed, the Board repurchase a further 10 percent of the outstanding shares in the Company during the period up to the next Annual General Meeting and decide on the sale of the Company's own shares in connection with acquisitions. The Board has decided to commence the new buy-back program. If the program is fully utilized, an additional increase of about SEK 0.40 in earnings per share per full year is expected.

Prospects

Based on assessments that the high level of activity in European industry will continue and that North American industry will decline slightly, the current favorable demand for Trelleborg's products is expected to continue in the immediate future.

A number of restructuring programs are in progress, the aim of which is to reduce cost levels in addition to achieving normal productivity growth.

Depending on customer and currency areas, varying levels of price increases are under way to limit the effects of increased costs for input materials, such as oil-related products.

Extensive efforts are being made to continue to generate growth externally, via acquisitions, and internally, through the Group's existing core operations.

Trelleborg, November 8, 2000

Fredrik Arp, President

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This report and other information about the Trelleborg Group, including the magazine T-TIME, are also available on the Internet at the following address:

www.trelleborg.com This report has not been subject to special examination by Trelleborg AB's auditors. The year-end report for 2000 will be published on February 6, 2001.

Income statements

Group	July-Sep		Jan-Sep		Oct 1999–	Full Year
SEK M	2000	1999	2000	1999	Sep 2000	1999
Net sales	3,444	5,880	10,037	18,320	15,062	23,345
Cost of goods sold	-2,657	-4,674	-7,649	-14,563	-11,681	-18,595
Gross profit	787	1,206	2,388	3,757	3,381	4,750
Selling administration and R&D expenses	-629	-958	-1,847	-3,119	-2,642	-3,914
Non-comparable items	108	-72	351	-73	1,000	576
Other operating revenues and expenses	25	39	69	62	91	84
Pre-tax profit / loss from participations in associated companies	53	6	145	43	157	55
Operating profit	344	221	1,106	670	1,987	1,551
Financial income and expense	-17	-16	10	-27	36	-1
Write down of preference shares in Boliden Ltd	-100	-	-100	-	-100	-
Profit after financial items	227	205	1,016	643	1,923	1,550
Taxes	-91	-66	-313	-194	-662	-543
Minority shares	-5	0	-11	-2	-10	-1
Net profit for the period	131	139	692	447	1,251	1,006

Balance Sheets

Group	30 Sep	30 Sep	31 Dec
SEKM	2000	1999	1999
Intangible fixed assets	1,980	2,466	1,155
Tangible fixed assets	4,575	4,284	3,008
Financial fixed assets	1,033	1,477	1,476
Inventories	2,097	3,356	1,556
Receivables	3,842	4,969	2,367
Liquid funds	1,101	1,312	4,331
Total assets	14,628	17,864	13,893
Shareholders' equity	8,887	8,698	9,213
Minority shares	159	19	12
Provisions	1,387	497	860
Long-term liabilities	912	4,081	1,535
Current liabilities	3,283	4,569	2,273
Total shareholders' equity, Provisions and liabilities	14,628	17,864	13,893

Cash flow analysis

SEK M	January - September	
	2000	1999
Ongoing operations		
Operating profit	1,106	670
<i>Reversals</i>		
Depreciation	485	486
Non-comparable items	-351	73
Share in results of associated companies	-145	-43
	1,095	1,186
Financial items	10	-27
Taxes paid	-149	-44
Cash flow from ongoing operations before changes in working capital	956	1,115
Cash flow from change in working capital	-413	-15
Cash flow from ongoing operations	543	1,100
Change in other receivables and liabilities	-251	-247
<i>Investment operations</i>		
Acquisitions of subsidiaries	-2,203	-387
Gross investments in tangible and intangible fixed assets	-360	-607
Sales of equipment	68	0
Cash flow from investment operations	-2,495	-994
Divestment of units	0	1,060
Financing operations		
Loans issued, net change	693	3
Loans assumed, net change	-524	-208
Write-down of preference shares in Boliden Ltd	-100	-
Dividend	-381	-235
Buy-back of own shares	-726	-
Cash flow from financing operations	-1,038	-440
Cash flow for the year	-3,241	479
Liquid funds at beginning of year	4,331	855
Exchange-rate differences in liquid funds	11	-22
Liquid funds at end of period	1,101	1,312

Key figures, Group

	Jan-Sep		Oct 1999–	Full year
	2000	1999	Sep 2000	1999
Return on shareholders' equity, after full tax, %	10.2	6.1	14.2	10.0
Equity/assets ratio, %	61.8	48.8		66.4
Earnings per share after full tax, SEK	6.20	3.80	11.05	8.60
Earnings per share, after full tax and full conversion, SEK	6.00	3.70	10.70	8.30
Earnings per share, after full tax, excluding non-comparable items, SEK	4.85	4.40	6.80	6.35
Earnings per share, after full tax and full conversion, excluding non-comparable items, SEK	4.70	4.30	6.60	6.20
Shareholders' equity per share, SEK	84.15	74.10		78.50
Financial assets, minus liabilities at end of period, MSEK	100	-2,625		3,499
<u>Investments in plant, MSEK</u>	<u>360</u>	<u>607</u>	<u>564</u>	<u>811</u>
Average number of shares after full conversion	116,977,768	122,552,442	118,278,233	122,612,286

Group review

Net sales

	July-Sep		Jan-Sep		Oct 1999–	Full year
SEK M	2000	1999	2000	1999	Sep 2000	1999
Trelleborg Automotive	1,564	469	4,208	1,487	4,729	2,008
Trelleborg Wheel Systems	698	655	2,258	2,144	2,884	2,770
Trelleborg Engineered Systems	679	646	2,180	2,151	2,903	2,874
Trelleborg Building Systems	378	391	1,098	1,010	1,458	1,370
Trenor/Distribution operations	0	3,647	0	10,846	2,696	13,542
Other companies	212	164	547	1,006	699	1,158
Eliminations	-87	-92	-254	-324	-307	-377
Group total	3,444	5,880	10,037	18,320	15,062	23,345
Core operations	3,232	2,069	9,490	6,468	11,667	8,645

Operating profit/loss

	July-Sep		Jan-Sep		Oct 1999–	Full year
SEK M	2000	1999	2000	1999	Sep 2000	1999
Trelleborg Automotive	96	46	343	153	400	210
Trelleborg Wheel Systems	39	36	158	130	199	171
Trelleborg Engineered Systems	23	16	98	83	114	99
Trelleborg Building Systems	59	60	127	105	164	142
Trenor/Distribution operations	51 ¹⁾	150	131 ¹⁾	322	260	451
Other companies	-4	-1	-11	30	-12	29
Group items	-28	-14	-91	-80	-138	-127
Non-comparable items	108	-72	351	-73	1,000	576
Group total	344	221	1,106	670	1,987	1,551

Core operations	189	144	635	391	739	495
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¹⁾ 49 procent share in associated companies, pretax results

Key operating ratios

	Operating margin, (ROS) % ¹⁾			Return on capital employed, (ROA) % ²⁾		
	Oct 1999- Sep 2000	Oct 1998- Sep 1999	Full year 1999	Oct 1999- Sep 2000	Oct 1998- Sep 1999	Full year 1999
SEK M						
Trelleborg Automotive	8.1	8.6	8.8	15.2	15.5	16.1
Trelleborg Wheel Systems	6.9	5.7	6.2	12.1	10.4	11.0
Trelleborg Engineered Systems	3.9	4.0	3.4	7.8	8.4	7.0
Trelleborg Building Systems	11.1	10.2	10.3	21.8	18.1	19.0
Group total	5.5	3.7	3.9	12.9	7.9	9.4

¹⁾ Operating results excluding share in results of associated companies and non-comparable items in relation to net sales.

²⁾ Operating result excluding non-comparable items/average capital employed.

Average capital employed ¹⁾

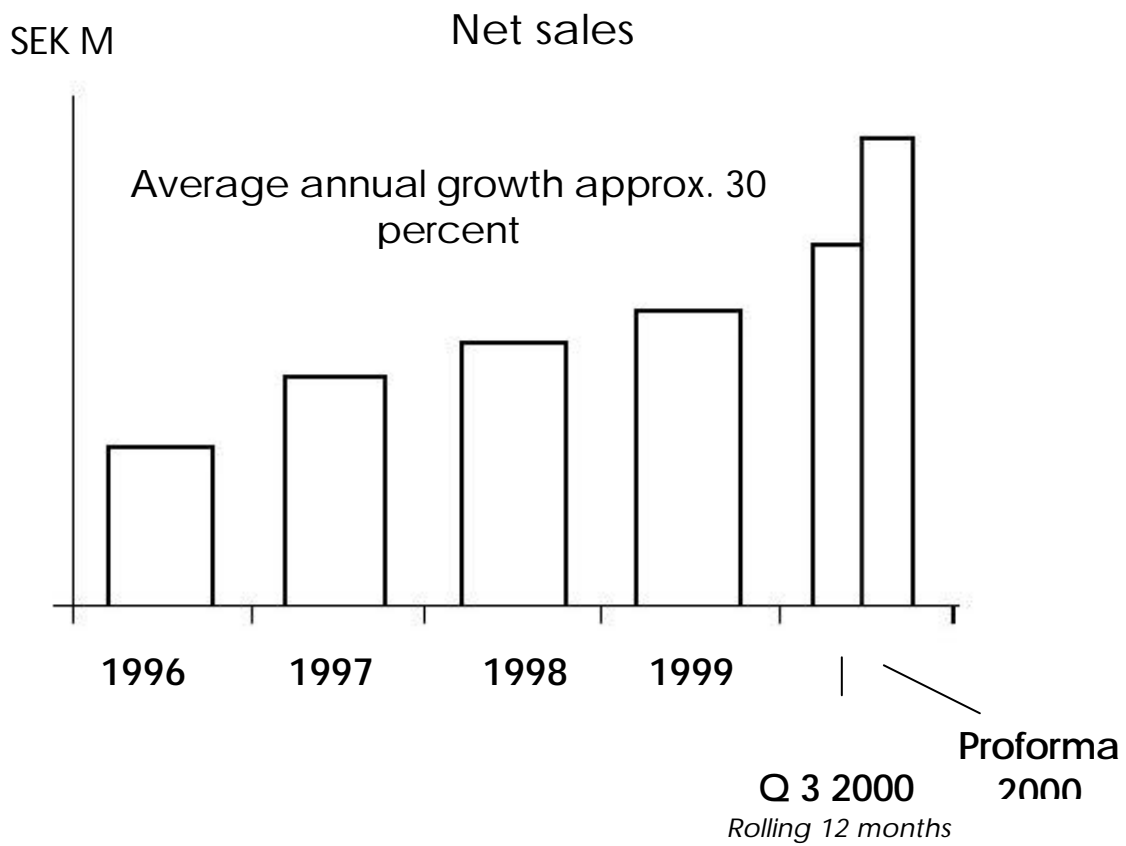
	September 2000	September 1999	Full year 1999
SEK M			
Trelleborg Automotive	3,744	1,279	1,300
Trelleborg Wheel Systems	1,777	1,545	1,499
Trelleborg Engineered Systems	1,530	1,418	1,432
Trelleborg Building Systems	778	790	724
Trenor/Distribution operations	31	4,346	0
Other companies	459	959	691
Group items	-74	259	-381
Group total	8,245	10,596	5,265

¹⁾ Total assets less interest-bearing investments, tax receivables/liabilities, accrued interest and non interest-bearing operating liabilities on balance sheet date.

Cash flow report

January–September 2000	Profit/loss excl associated companies and non- comparable items	De- preci- ation	Gross invest- ments	Sold fixed assets	Change in capital employed	Total operating cash- flow	Jan- sep 1999
SEK M							
Trelleborg Automotive	331	236	-160	21	-114	314	123
Trelleborg Wheel Systems	158	103	-85	14	-145	45	146
Trelleborg Engineered Systems	98	85	-66	5	5	127	-10
Trelleborg Building Systems	126	43	-20	0	-70	79	105
Other companies	-11	9	-26	6	-2	-24	39
Group items	-92	9	-3	22	-87	-151	-76
Units sold						-	237
Operating cash flow	610	485	-360	68	-413	390	564
Acquisitions						-2,203	-387
Divestments						–	1 060
Dividend to shareholders						-381	-235
Buy-back of own shares						-726	–
Other (financial transactions, taxes etc)						-479	-340
Change in financial net assets/liabilities						-3,399	662

Growth in Industrial operations



Operating profit

