

# Welcome to Six Month Report Update

## July 21, 2005



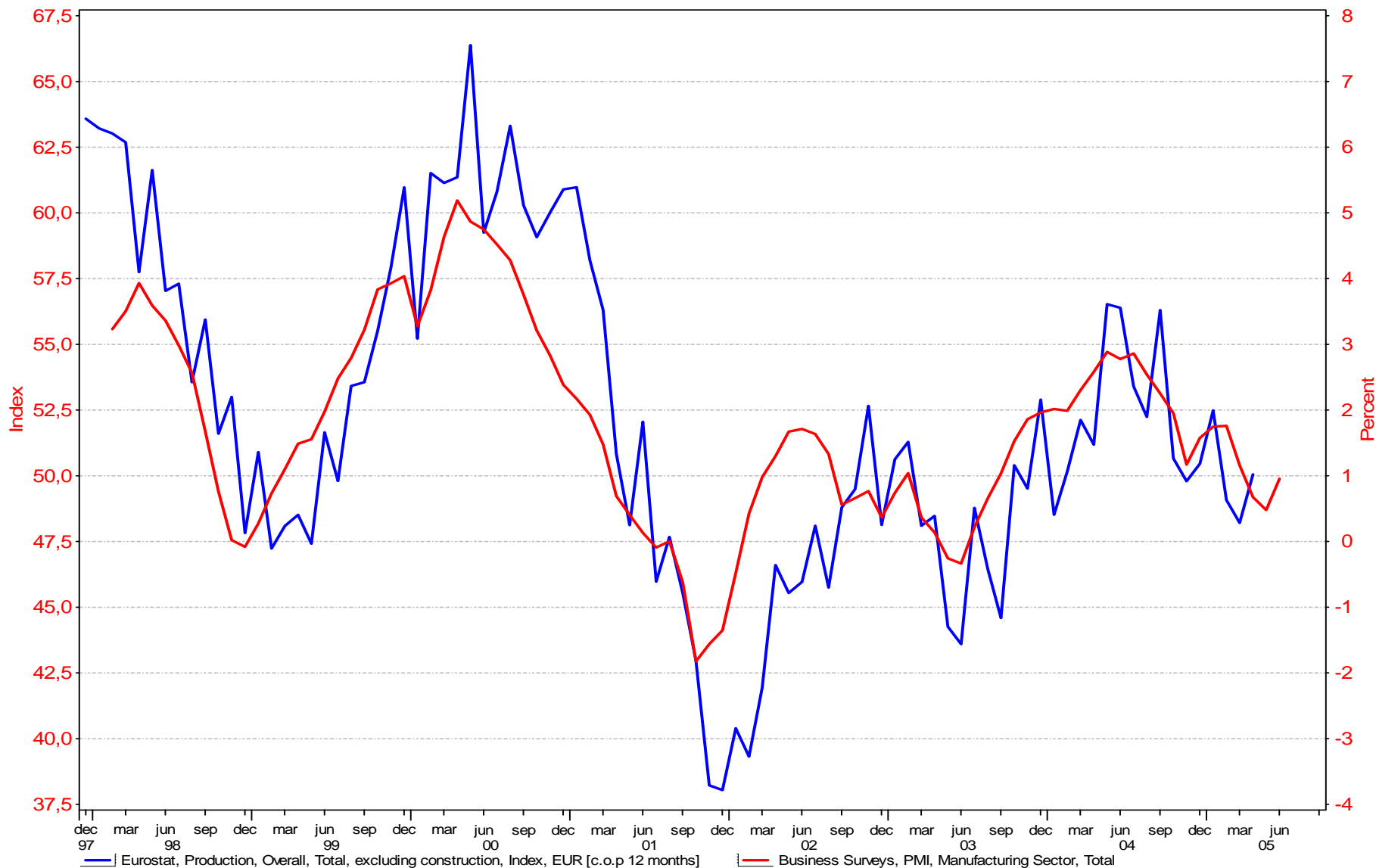
During the past century, Trelleborg has devoted its best efforts to damping, sealing and protecting against the impact of the elements. Our problem-solving approach focuses on superior quality and has been tested over time and under the harshest conditions.



- ▼ **Sales increase of 4 % in Q2 2005**
  - ▼ Group Net Sales in Q2 6,348 SEK M (6,108)
  - ▼ Group Organic Growth in Q2 4 %
  - ▼ Group Net Sales in H1 12,142 SEK M (11,923)
  
- ▼ **Net Profit increased with 13 % in Q2 2005**
  - ▼ Net Profit increased to 355 SEK M (315) (continuing operations, excl restructuring costs and write-downs)
  - ▼ All five business areas increased their operating profit YoY
  - ▼ Net Profit in H1 amounted to 600 MSEK (600)
  
- ▼ **Continuously strong cash flow**
  - ▼ Continuously strong H1 operating cash flow in H1 752 SEK M (603)
  - ▼ Free cash flow 431 SEK M (162)
  - ▼ Positive effects from ongoing capital efficiency program

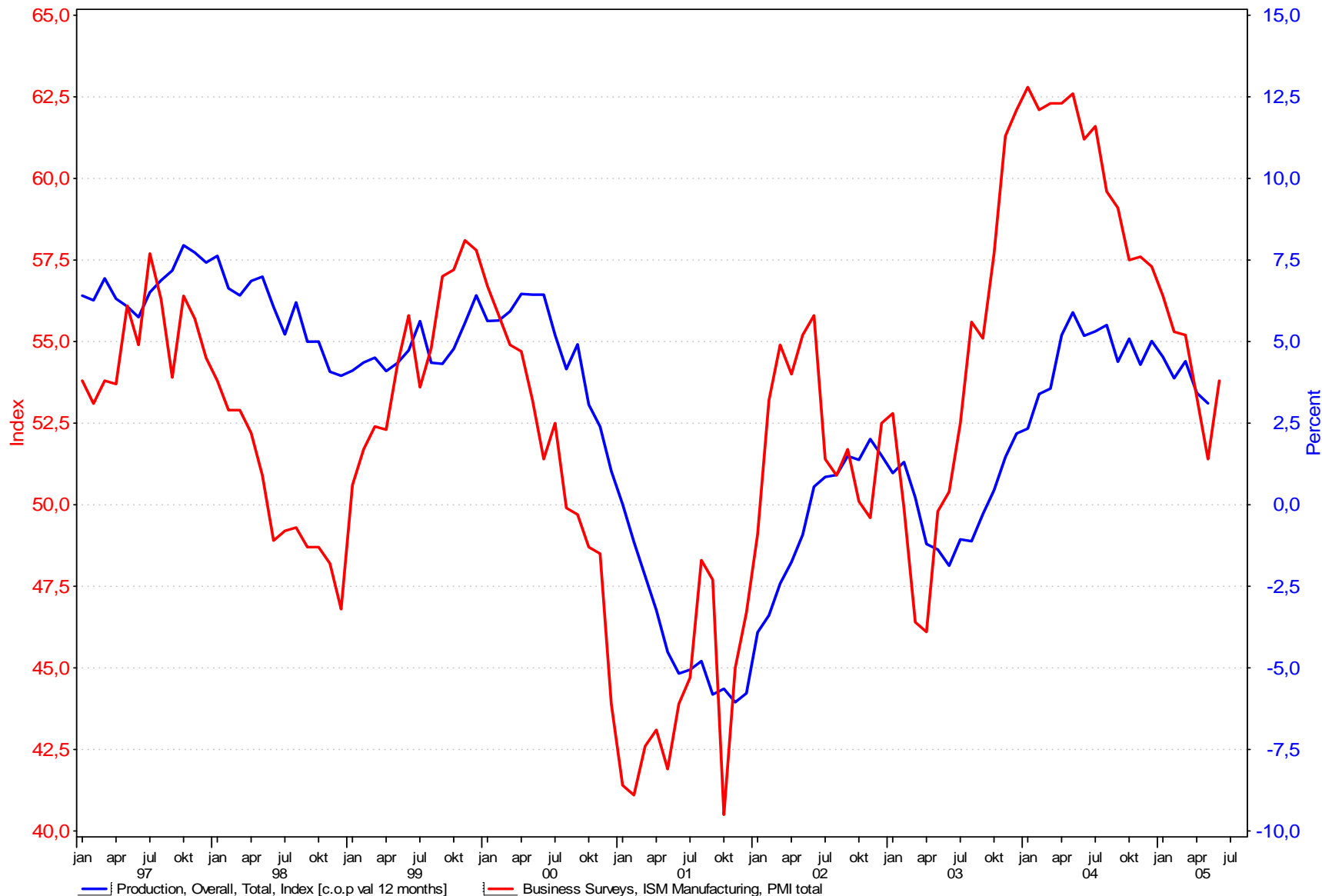
# EMU Purchasing managers index vs Ind. Production

GROUP



# USA: ISM purchasing managers index vs ind. production

GROUP

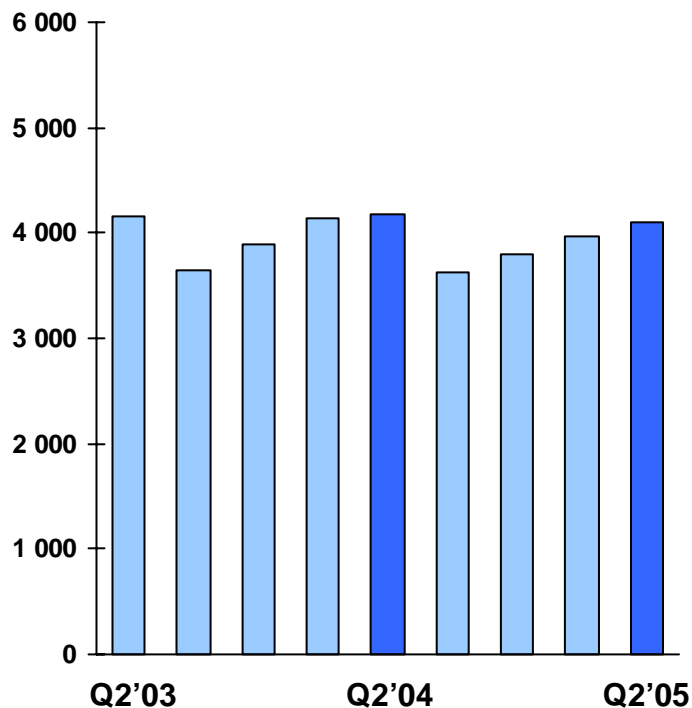


# Slight improvement in Q2 Production vs Q1

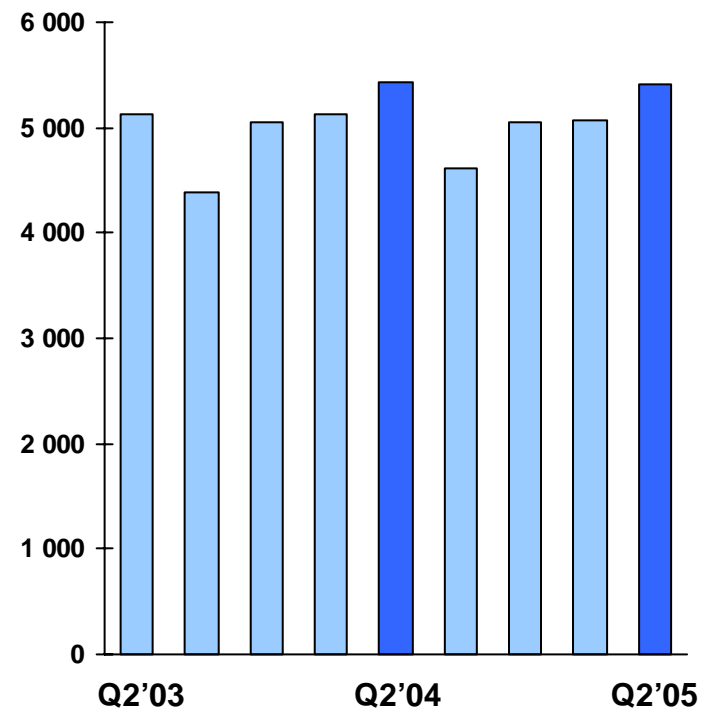
GROUP

## Light vehicles, Quarterly change YoY

*NA light vehicle production, thousand units*



*Euro light vehicle production, thousand units*



	<u>Q2 YoY</u>	<u>H1 YoY</u>
Sales	4.1%	2.0%
Production	-1.5%	-2.9%

	<u>Q2 YoY</u>	<u>H1 YoY</u>
Sales	0.8%	-1.1%
Production	-0.2%	-0.8%

Note: Light vehicle comprises of passenger cars and light trucks. Europe includes both Western and Eastern Europe. Sales figures Europe (W+E) refers to passenger cars only, sales figures North America refers to US only.

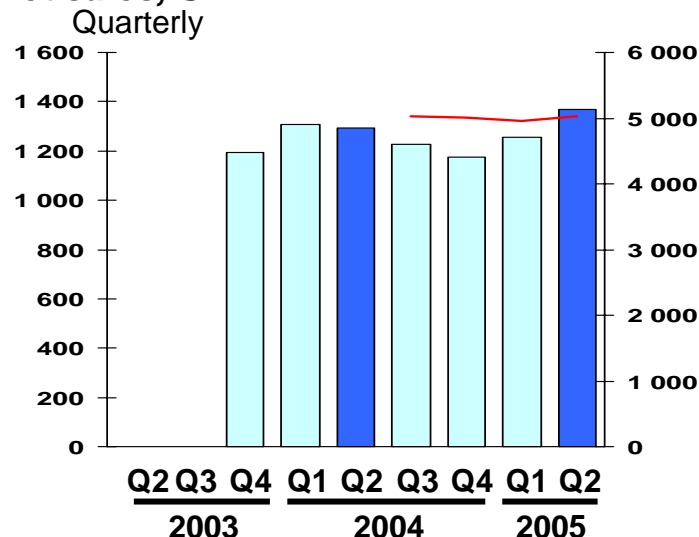
Source: J.D. Power; Ward; ACEA; Trelleborg analysis

# Continued good growth in Industrial and Aerospace

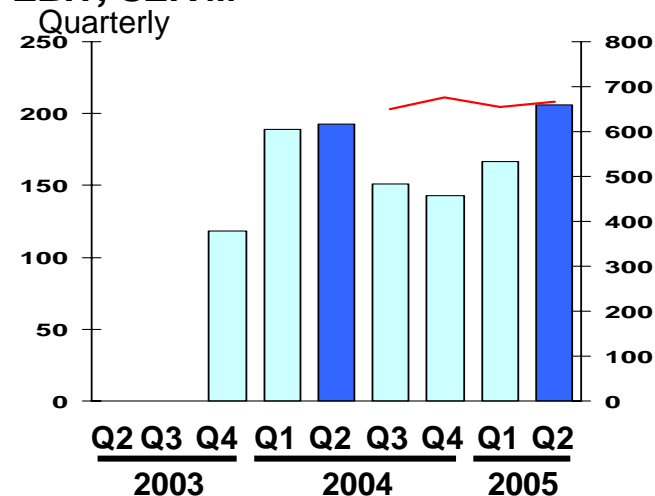
## Trelleborg Sealing Solutions

- ▼ Q2 net sales 1,369 SEK M (1,295)
- ▼ Six months net sales 2,626 (2,605)
- ▼ R12 net sales 5,030 SEK M (5,009)
  
- ▼ Q2 Organic growth 4,2 %
- ▼ Good demand and sales in industrial and aerospace, + 7 organic growth in H1
- ▼ Negative development in Auto segment reinforced by own actions with effects '05
- ▼ New market organisation in N America, Supply Chain Management project runs to plan
- ▼ TSS integration completed > 90 %
  
- ▼ Q2 EBIT amounted to 206 SEK M (194)
- ▼ Six months EBIT 373 SEK M (383)
- ▼ R12 EBIT 666 SEK M (676)

Net sales, SEK M



EBIT, SEK M

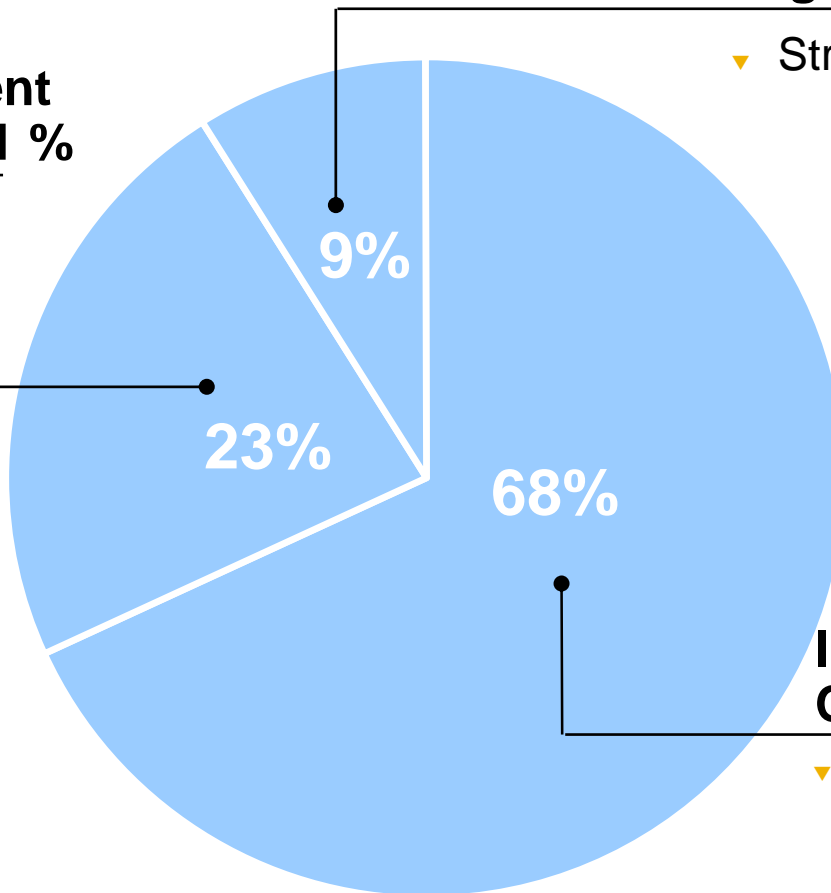


# Continuous mix adjustment reinforces margin improvement

H1, YoY

## Automotive Segment Organic Growth -11 %

- ▼ Weak automotive demand in both US and Europe
- ▼ Exit from non profitable businesses



## Aerospace Segment Organic Growth +7 %

- ▼ Strong demand

## Industry Segment Organic Growth +7 %

- ▼ Only slightly lower demand than previously strong quarters

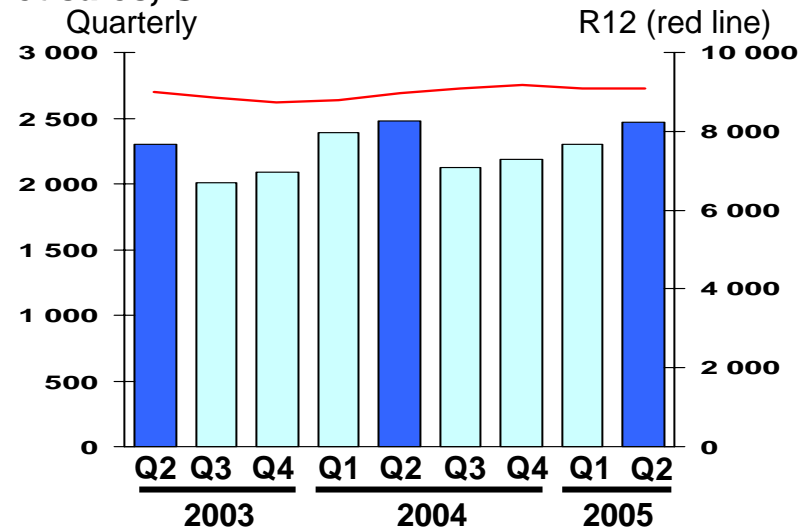
# Slight profit improvement

AUTOMOTIVE

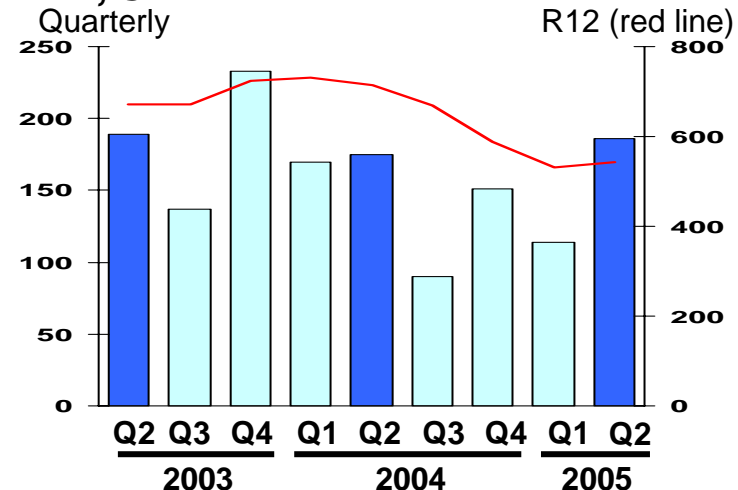
## Trelleborg Automotive

- ▼ Q2 net sales 2,473 SEK M (2,480)
- ▼ Six months net sales 4,775 SEK M (4,873)
- ▼ R12 net sales 9,084 MSEK (9,182)
  
- ▼ Q2 organic growth in line with underlying market
- ▼ N American sales above underlying market. Effects from stronger order bookings beginning to show
- ▼ Improved profit in Q2 despite negative volume development in Automotives main markets.
- ▼ Good productivity and successful efficiency/rationalization efforts compensated for weak volumes and raw material price increases
  
- ▼ Q2 EBIT amounted to 186 SEK M (175)
- ▼ Six months EBIT 300 SEK M (345)
- ▼ R12 EBIT 542 MSEK (587)

**Net sales, SEK M**



**EBIT, SEK M**

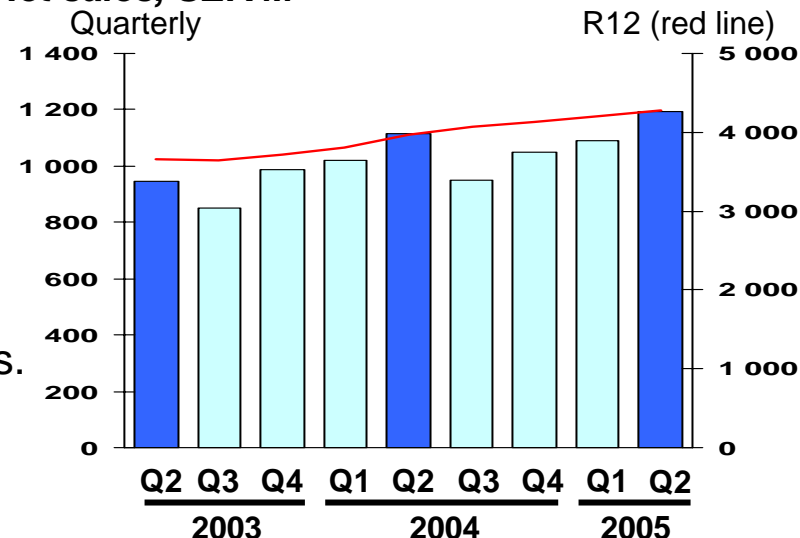


# Continuously good sales development

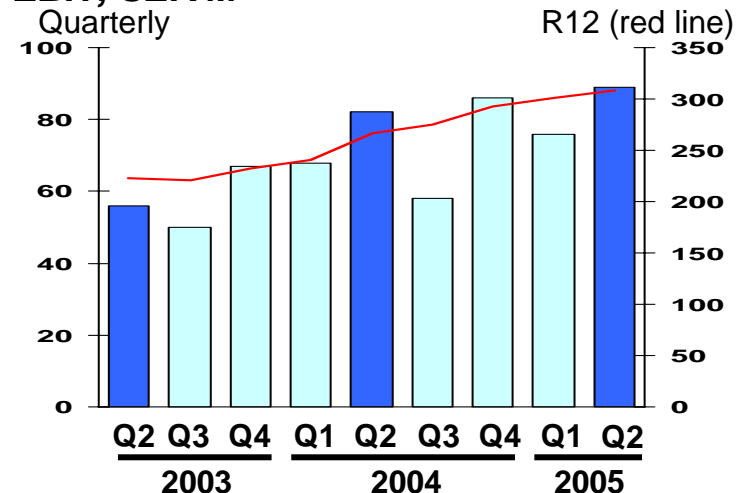
## Trelleborg Engineered Systems

- Q2 net sales 1,195 SEK M (1,115)
- Six months net sales 2,284 SEK M (2,134)
- R12 net sales 4,283 MSEK (4,133)
- Q2 organic growth 7 %. Tendencies from Q1 remains - good demand in most market segments.
- Several oil & gas related project deliveries
- Continuously stable demand in project related products with good order bookings
- Bolt-on acquisition of Armwest (Australia), sheeting products for specialised appl./material handling.
- 25 % minority holding in Estonian sub supplier Ou Saare Martex
- JV in France for couplings systems.
- Q2 EBIT amounted to 90 SEK M (82)
- Six months EBIT 165 SEK M (150)
- R12 EBIT 308 SEK M (293)

**Net sales, SEK M**



**EBIT, SEK M**

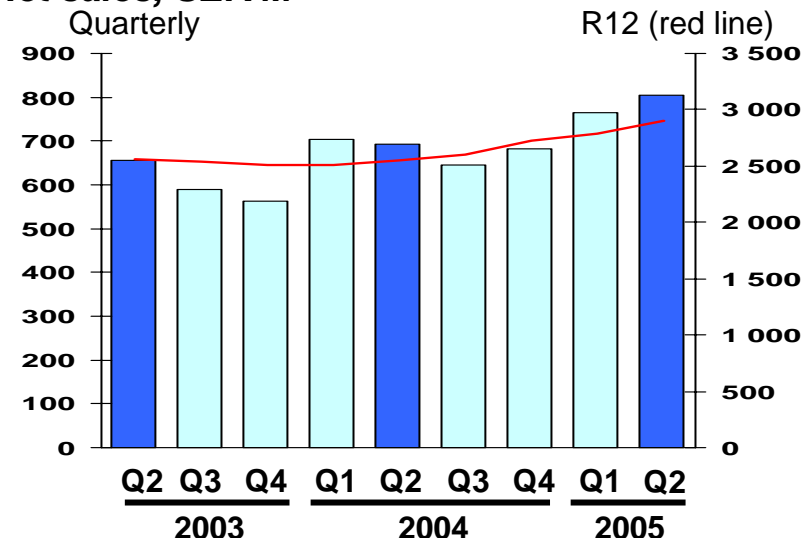


# Strong sales and profit growth

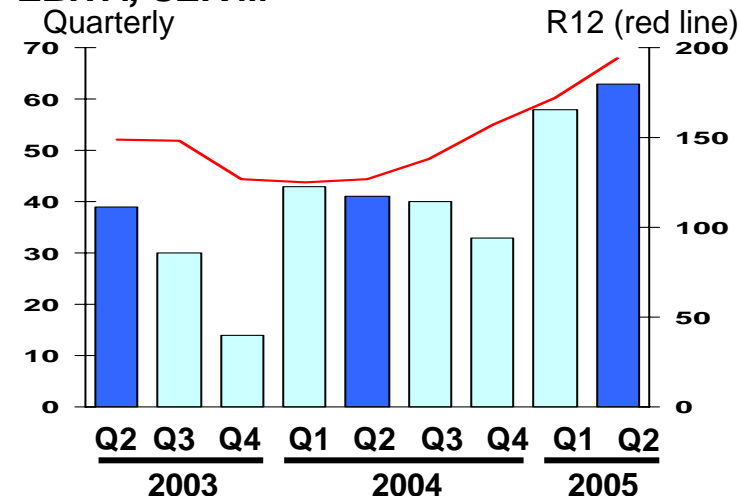
## Trelleborg Wheel Systems

- Q2 net sales 804 SEK M (692)
- Six months net sales 1,570 SEK M (1,396)
- R12 net sales 2,896 MSEK (2,722)
- Q2 organic growth 16 %.
- The BA continued to capture market shares in a stable European Agri market, primarily in OE.
- Move of production from Trelleborg plant runs according to plan.
- Industrial tyres market remains favorable in N America, Europe and Asia. Particularly so in OE.
- Increased material costs offset by improved price levels
- JV established in Middle East with Al Dobowi Ltd for distribution of agri and industrial tires
- Q2 EBIT amounted to 63 SEK M (42)
- Six months EBIT 121 SEK M (85)
- R12 EBIT 193 SEK M (157)

Net sales, SEK M



EBITA, SEK M

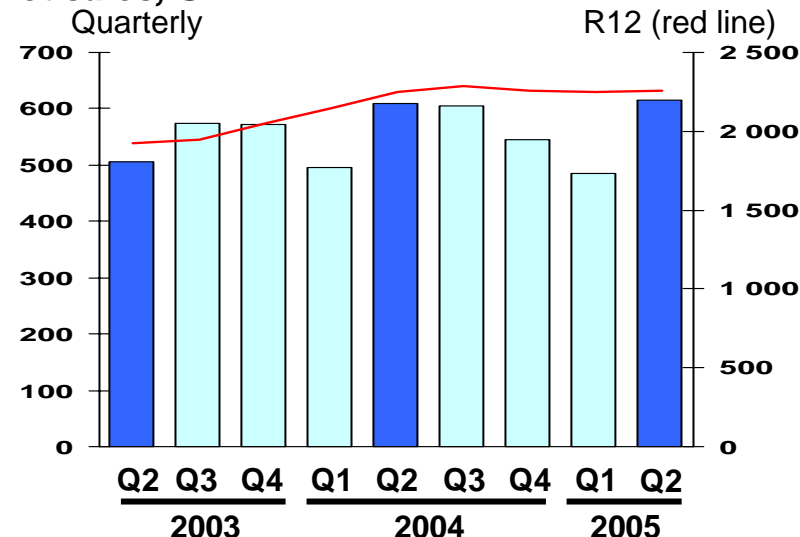


# Increased sales and effects from efficiency efforts

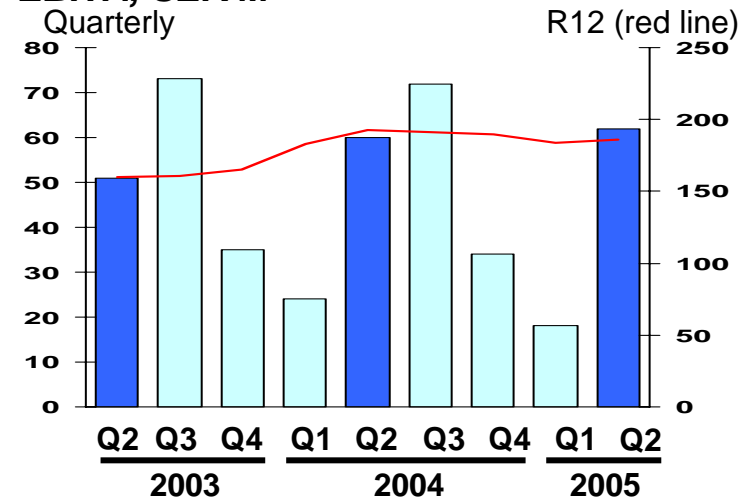
## Trelleborg Building Systems

- Q2 net sales 616 SEK M (610)
- Six months net sales 1,101 SEK M (1,105)
- R12 net sales 2,253 MSEK (2,257)
- Q2 organic growth +4 %.
- Demand in Scandinavian building markets continuously good.
- Strong sales development in Waterproofing, particularly Roofing Denmark. Larger deliveries of sealing material to Ormen Lange Gas project.
- Ongoing prioritization of high value added products in Sealing Profiles. Termination of business with unfavorable margin levels effected temporarily growth negatively.
- Efficiency measures in Sweden/UK contributed positively in Q2
- Q2 EBIT amounted to 62 SEK M (61)
- Six months EBIT 80 SEK M (85)
- R12 EBIT 185 MSEK (190)

Net sales, SEK M



EBITA, SEK M



# Organic Growth and Margin Development

GROUP

	Organic Growth		Organic Growth		ROS %, R12		Change
	H1 04	H1 05	Q2 04	Q2 05	Jun 04	Jun 05	
T Automotive	-2 %	-1 %	0 %	0 %	7.6	5.6	-2.0%
T Sealing Solutions	+5 %	+2 %	+5 %	+4 %	13.2*	13.2	0%
T Engineered Systems	+5 %	+7 %	+8 %	+7 %	6.7	7.2	+0.5%
T Wheel Systems	+4 %	+14 %	+7 %	+16 %	5.0	6.7	+1.7%
T Building Systems	0 %	+2 %	+1 %	+4 %	8.6	8.1	-0.5%
<b>Trelleborg Group</b>	<b>+1 %</b>	<b>+3 %</b>	<b>+3 %</b>	<b>+4 %</b>	<b>7.8</b>	<b>7.4</b>	<b>-0.4%</b>

\*Oct 03 – June 04 only

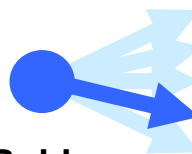
# Some easing off in raw material cost development ...

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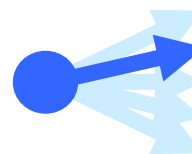
## Polymers



Natural Rubber



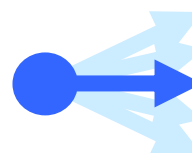
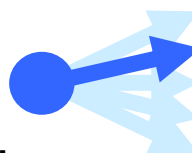
## Change in development



▼ Volatile price development



Other polymers

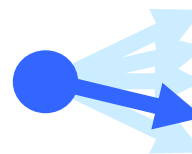
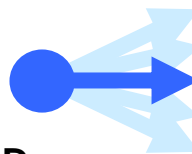


▼ Prices are levelling off

## Metal Components



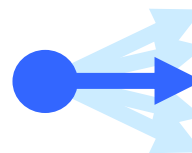
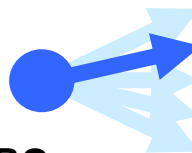
Steel USD



▼ Lower prices, visible at Trelleborg supplier level



Steel EURO



▼ Prices are levelling off

# TSS expands in China / New production unit in Shanghai

GROUP

- ▼ Production and increased presence in China to support regional growth
- ▼ Production unit including development capabilities and sales office to be built outside Shanghai
- ▼ Product range focused on high quality precision seals in PTFE material
- ▼ 200 employees, when fully operational
- ▼ Start of building project and manning H2 2005, start of production H1 2006.



TSS Shanghai will be focused on high quality precision seals in PTFE material

# Expansion of Automotive operations in India

GROUP

- ▼ Trelleborg develops and produces mainly AVS components for car and truck applications.
- ▼ Present plant in Ghaziabad (east of Dehli) has about 230 employees.
- ▼ Major customers include Maruti Suzuki, Toyota Kirloskar, Tata Motors and Ford India.
- ▼ New plant nearby will be doubled in size, accomodating further growth
- ▼ Start of production H1 2006



Trelleborg Automotive supplies AVS products to the Indian car manufacturer Tata

# Operating Key Ratios

GROUP

<b>Operating key ratios</b>						
<b>Group</b>	<b>April - June</b>		<b>Jan - June</b>		<b>July 2004 -</b>	<b>Full year</b>
<b>SEK M</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>June 2005</b>	<b>2004</b>
<i>Continuing operations, excluding restructuring costs and impairment losses</i>						
Operating profit	547	517	945	990	1 750	1 795
Profit before tax	489	444	825	833	1 500	1 508
Profit for the period	355	315	600	600	1 122	1 122
Earnings per share, SEK <sup>1)</sup>	3,90	3,50	6,60	6,75	12,40	12,55
Operating margin (ROS), % <sup>3)</sup>			7,4	7,8	7,4	7,7
Return on capital employed (ROA), % <sup>3)</sup>			11,0	11,4	11,0	11,2
Return on shareholders' equity, %	15,2	14,8	13,3	14,7	12,3	13,9
Operating cash flow	629	590	752	603	1 632	1 483
Operating cash flow per share, SEK <sup>4)</sup>	7,00	6,75	8,35	6,90	18,25	16,80

1) Profit for the period attributable to equity holders of the parent divided by the average number of shares outstanding

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

3) Based on rolling 12-months values

4) Operating cash flow divided by the average number of shares outstanding

# Trelleborg Group – Income Statements

GROUP

**Income Statements**

Group SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
<i>Continuing operations</i>						
Net sales	6 348	6 108	12 142	11 923	23 131	22 912
Cost of goods sold	-4 582	-4 435	-8 812	-8 626	-17 234	-17 048
<b>Gross profit</b>	<b>1 766</b>	<b>1 673</b>	<b>3 330</b>	<b>3 297</b>	<b>5 897</b>	<b>5 864</b>
Selling expenses	-537	-510	-1 037	-997	-2 053	-2 013
Administrative expenses	-621	-615	-1 219	-1 206	-2 399	-2 386
Research and development costs	-124	-131	-242	-252	-483	-493
Other operating income/expense	58	26	101	61	266	226
Profit from participation in associated companies	5	8	12	15	34	37
<b>Operating profit</b>	<b>547</b>	<b>451</b>	<b>945</b>	<b>918</b>	<b>1 262</b>	<b>1 235</b>
Financial income and expenses	-58	-73	-120	-157	-250	-287
<b>Profit before tax</b>	<b>489</b>	<b>378</b>	<b>825</b>	<b>761</b>	<b>1 012</b>	<b>948</b>
Tax	-134	-104	-225	-206	-237	-218
<b>Profit for the period</b>	<b>355</b>	<b>274</b>	<b>600</b>	<b>555</b>	<b>775</b>	<b>730</b>

# Operating cash flow

GROUP

## Trelleborg Group, SEK M

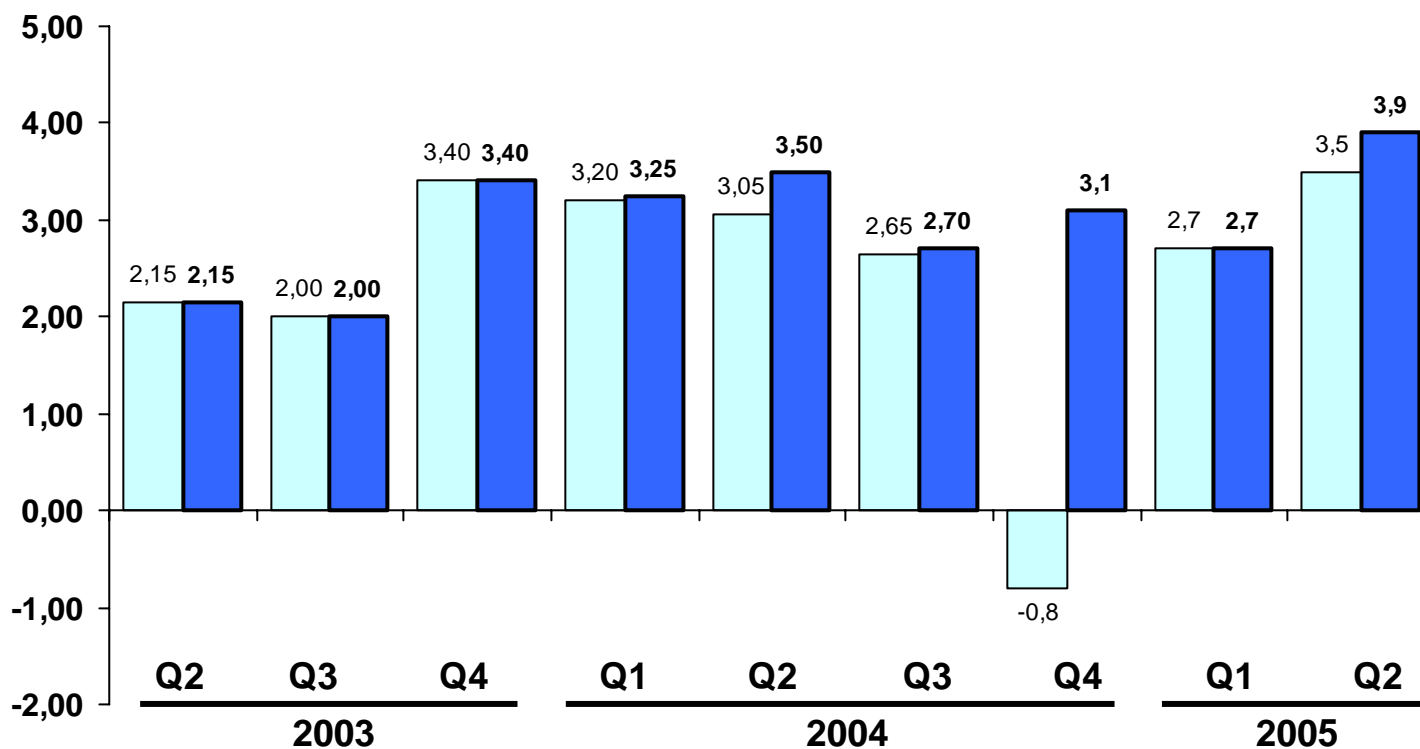
Jan - June	EBITDA, excl. assoc. companies	Gross invest- ments	Fixed assets sold	Change in working capital	Total cash flow		
					2005	2004	R12 2005
Trelleborg Automotive	529	-235	1	49	344	215	469
Trelleborg Sealing Solutions	465	-63	16	-201	217	273	523
Trelleborg Engineered Systems	235	-34	1	-37	165	117	369
Trelleborg Wheel Systems	174	-31	0	-12	131	80	279
Trelleborg Building Systems	114	-26	1	-37	52	34	236
Other companies	-6	-	-	1	-5	0	-8
Group items	-129	-8	19	-34	-152	-116	236
<b>Operating cash flow</b>	<b>1,382</b>	<b>-397</b>	<b>38</b>	<b>-271</b>	<b>752</b>	<b>603</b>	<b>1 632</b>
Restructuring measures against provisions					-20	-126	-142
Other restructuring measures					-68	-	-98
Dividends to minority					-1	-2	-1
Financial items					-28	-93	-223
Taxes					-204	-220	363
<b>Free cash flow</b>					<b>431</b>	<b>162</b>	<b>805</b>
Acquisitions					-113	-372	87
Divestments					-	1 097	-
Dividend to stockholders					-452	-396	-452
Options and warrants					78	168	78
<b>Total net cash flow</b>					<b>-56</b>	<b>659</b>	<b>344</b>

\* Investments/depreciations in tangible assets

# Q2 earnings Per Share SEK 3.90 (3,50)

GROUP

Earnings per share for continuing operations, **Light Blue**, and also excl. restructuring costs/impairment losses, **Blue**, SEK



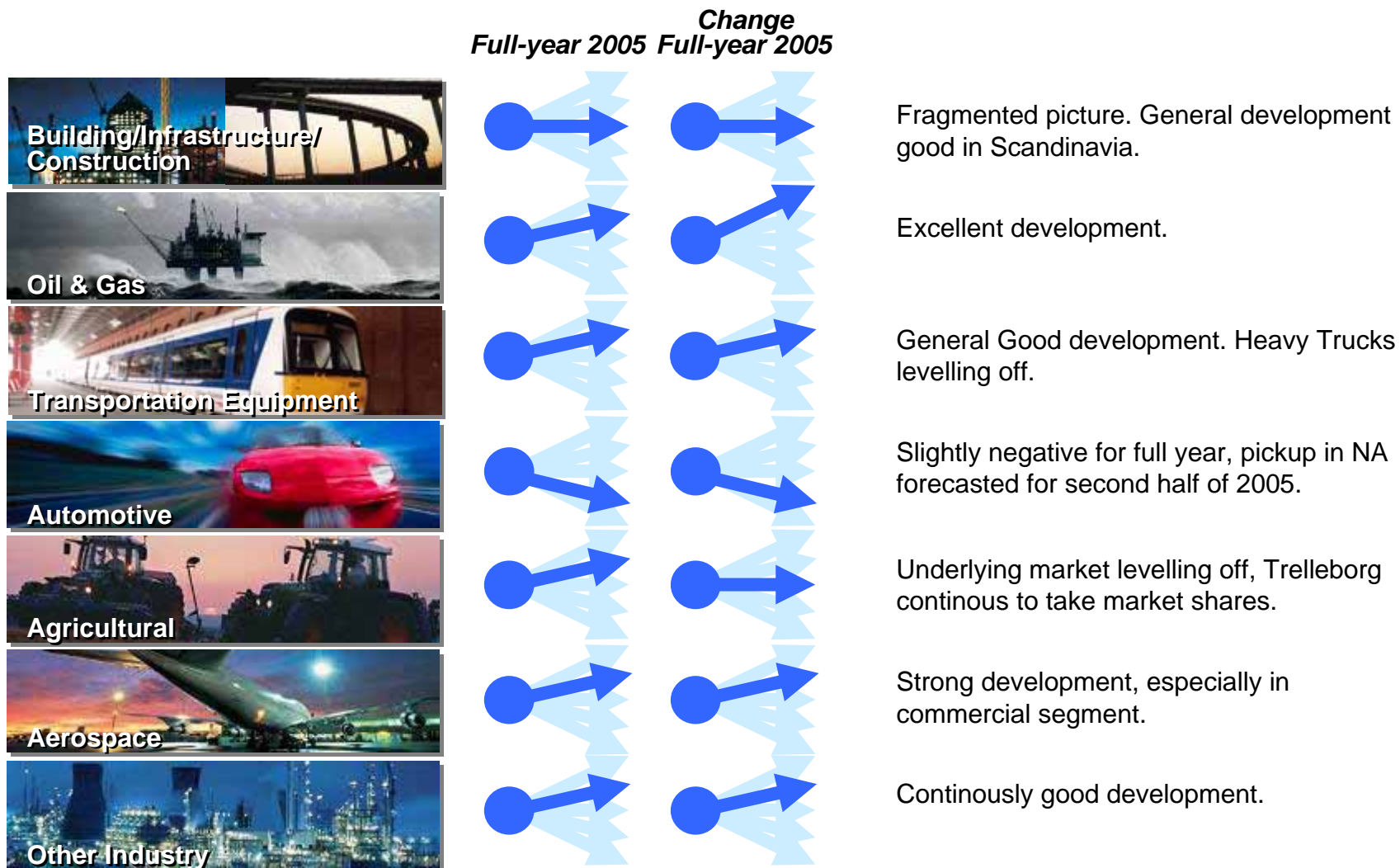
**R12 EPS**, continuing operations excl. restructuring costs/impairment losses

7.95	8.00	9.40	10.80	12.15	12.85	12.55	12.00	12.40
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# Largely unchanged market conditions

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## Trelleborg Group Estimates for our 7 key markets



- For the full year 2005, growth is expected to remain favorable in aerospace, agriculture, transportation equipment, oil/gas and other industries. In the automotive industry, a weak trend is expected in Trelleborg's principal markets. In construction and infrastructure-related industry, demand is expected to vary between different geographical sub-markets, with increased demand expected in Scandinavia. Trelleborg is expected to be able to develop at the same level as its underlying markets or somewhat better.
- For the full year, the expectations stated in the interim report for January-March remain, that is, earnings for the three remaining quarters, after tax and for continuing units, excluding restructuring costs, are expected to be in line with or somewhat better than the equivalent period in 2004.
- Underlying raw material prices for steel have fallen in North America and leveled off in Europe. Efficiency-improvement measures, price adjustments and intensified and active procurement remains a priority in offsetting the negative effects of a higher cost level for raw materials.
- Extensive drives and market initiatives are being implemented to utilize the potential that exists to increase organic growth in our prioritized areas.

This interim report presentation is based on a financial report presented according to International Financial Reporting Standards (IFRS). Comparison figures has been compiled from January 1, 2004. More details can be found in the full Interim Report, pages 17-18 on [www.trelleborg.com](http://www.trelleborg.com).

## Calendar

Interim Report, January - September      October 26, 2005 **New Date!**  
Full year Report, January - December      February 15, 2005

## Financial information

Interim reports, annual reports, the stakeholder magazine T-TIME and other information on the Trelleborg Group may be ordered from Trelleborg AB, Information Department, Box 153, SE-231 22 Trelleborg, Sweden, by telephone on +46 410-670 09, by fax on +46 410-427 63, by e-mail [info@trelleborg.com](mailto:info@trelleborg.com) or can be downloaded from the Group's website [www.trelleborg.com](http://www.trelleborg.com).

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This report contains forward-looking statements that are based on the current expectations of the management of Trelleborg. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors .



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