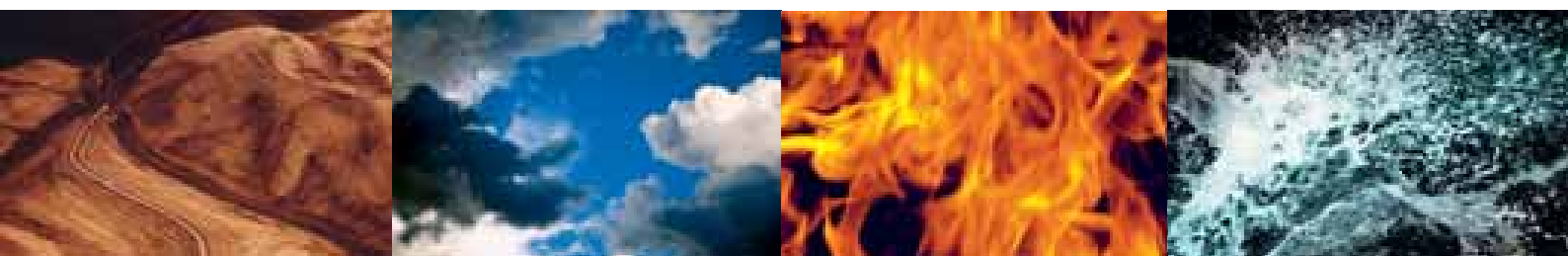




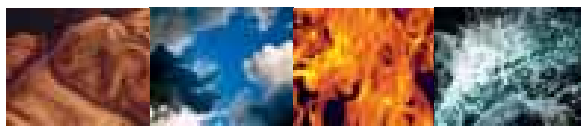
A N N U A L R E P O R T

2004



TRELLEBORG

Contents



During the past century, Trelleborg has devoted its best efforts to damping, sealing and protecting against the impact of the four elements in numerous contexts. Our problem-solving approach focuses on superior quality and has been tested over time and under demanding conditions. Continuing to focus on innovation, we look forward to the challenges and opportunities of our next 100 years. To find out more about our custom-designed solutions, visit www.trelleborg.com.

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Trelleborg AB is a public limited liability company. Corporate identity number: 556006-3421. The Group's headquarters are in Trelleborg, Sweden. This is a translation of the company's definitive Annual Report for 2004 in Swedish.

Unless otherwise stated, figures in parentheses relate to the 2003 fiscal year.

Data on markets and competitive positions represent Trelleborg's own assessments unless a specific source is indicated. These assessments are based on the most recent and reliable information from published sources in the public and industrial-goods sectors.

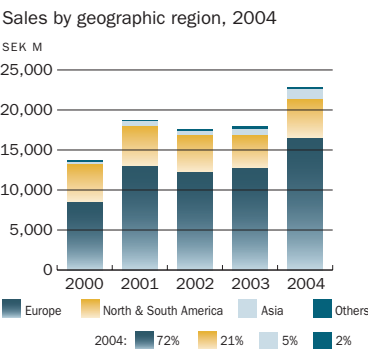
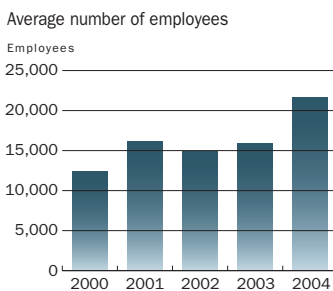
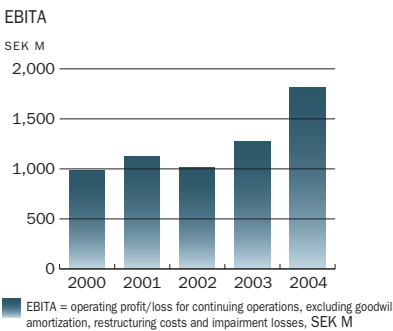
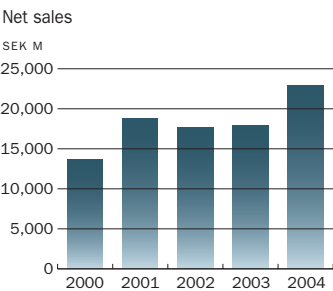
This report contains forward-looking statements that are based on the current expectations of the management of Trelleborg. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. 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.

The Group in brief

Trelleborg is a global industrial group whose leading positions are based on advanced polymer technology and in-depth applications know-how. We develop high-performance solutions that damp, seal and protect in demanding industrial environments.



The Group's headquarters are located in Trelleborg, Sweden. Trelleborg AB was founded in 1905. With 100 years behind us, our history, like our future, is characterized by a constant drive for quality and a passion for identifying new solutions to complex problems. Today, the Group has 22,000 employees and operations in some 40 countries.



Business areas

Trelleborg Automotive

Antivibration products, primarily for the light-vehicles industry, in which Trelleborg is the world leader.



Trelleborg Sealing Solutions

A leading global supplier of high-quality precision seals for customers in the industrial, automotive and aerospace sectors.



Trelleborg Engineered Systems

Flow systems and engineered solutions for several market segments, including the process industry, infrastructure and offshore/oil and gas extraction.



Trelleborg Wheel Systems

Solid industrial tires for forklift trucks and other material-handling equipment, as well as special tires for agricultural and forestry machines.



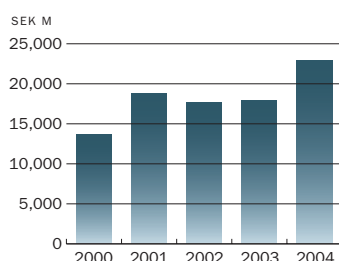
Trelleborg Building Systems

Moisture-insulation and sealing products for the construction industry and other sectors, as well as for the consumer market.

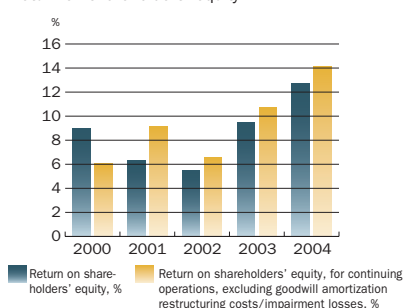


Leading market positions ● = ranked 1 st to 3 rd	Share of net sales, Group	Share of operating profit*, Group	Average number of employees	Geographic locations <i>Production/sales offices</i>
<div> <div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div> </div> <div> <div>Automotive AVS</div> <div>Industrial AVS</div> <div>Brake shims</div> <div>Vehicle boots</div> <div>Engine cooling</div> </div>	39% (9,182 SEK M) 	31% (607 SEK M) 	43% (9,608) 	
<div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div>	21% (5,009 SEK M) 	35% (678 SEK M) 	26% (5,708) 	
<div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div>	17% (3,961 SEK M) 	15% (283 SEK M) 	15% (3,204) 	
<div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div> <div> <div>●</div> <div>●</div> <div>●</div> </div>	13% (2,933 SEK M) 	9% (167 SEK M) 	9% (2,064) 	
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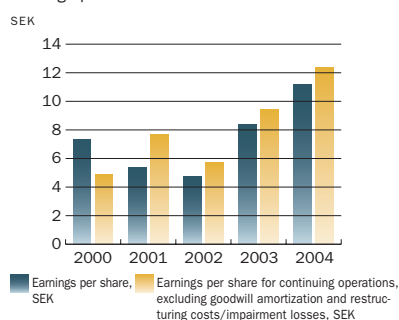
Net sales



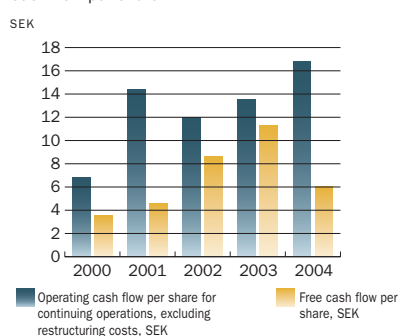
Return on shareholders' equity



Earnings per share



Cash flow per share



Trelleborg Group 2004

- Net sales for the year amounted to SEK 22,912 M (17,960).
- Operating profit increased by 29 percent to SEK 1,554 M (1,208).
- Net profit increased by 41 percent to SEK 988 M (702).
- Acquisition of Metzeler Automotive Hose System (vehicle components), acquisition of outstanding 49 percent of Japanese subsidiary Eika Corporation (distributor of special seals), complementary acquisitions in special hoses, pipe seals and marine fender systems.
- Divestment of the Trelleborg Group's 49-percent holding in Trenor. The purchase price for Trelleborg's holding was SEK 1,100 M, generating a capital gain of SEK 620 M.
- Restructuring costs/impairment losses of SEK 536 M before tax and SEK 377 M after tax were charged against the year's earnings. Measures include the transfer of tire production from the town of Trelleborg and measures within Trelleborg Automotive.
- IFRS applied effective January 1, 2005 with 2004 as comparison. See pages 14, 53 and 74.

Key figures

	2004	2003
Net sales, SEK M	22,912	17,960
Operating profit, SEK M	1,554	1,208
Profit after financial items, SEK M	1,267	1,091
Net profit, SEK M	988	702
Earnings per share, SEK	11.20	8.40
Cash flow from ongoing operations, SEK M	1,706	1,682
Free cash flow per share, SEK	6.05	11.30
Financial interest-bearing net assets/liabilities, SEK M	-6,951	-8,447
Debt/equity ratio, %	84	111
Return on shareholders' equity, %	12.7	9.5
Average number of employees	21,675	15,855

Operating key figures*)

Operating profit (EBITA), SEK M	1,818	1,271
Profit after financial items, SEK M	1,531	1,130
Net income, SEK M	1,097	788
Earnings per share, SEK	12.40	9.40
Operating margin (ROS), %	7.7	6.9
Return on capital employed (ROA), %	11.5	11.4
Return on shareholders' equity, %	14.1	10.7
Operating cash flow, SEK M	1,483	1,129
Operating cash flow per share, SEK	16.80	13.50

*) Based on continuing operations, excluding goodwill amortization and restructuring costs/impairment losses.

For definitions, see page 85.

Dear Shareholder,

In many respects, 2004, in which Trelleborg's centenary commenced, was a successful year. We are now truly able to say that we have succeeded in focusing the Group on its core operations. At the same time, we can derive satisfaction from the year's strong growth in profits – a full 35 percent* based on our current structure.

Combined with continued positive cash flow and a favorable financial position, we therefore have an excellent platform for the Group's ongoing development. At the same time, this gives us the opportunity to continue to offer shareholders a high yield. The dividend proposed by the Board is SEK 5.00 per share, or 45 percent of the year's net income.

Organic growth and improved profitability

The global economy showed solid growth during 2004, the best in many years. In markets important to Trelleborg, such as North America and Asia, GDP growth was very strong at between 4 and 9 percent. However, in Europe, which represents slightly more than 60 percent of the Group's total sales, GDP growth was more modest, although clearly up on 2003. Another important factor in evaluating the global economy was the historically low rate of inflation despite strong growth. This has meant continued low interest rates and for Trelleborg an interest expense of merely 3.2 percent.

The strong global economy also had an impact on Trelleborg's various operations. In addition to strong sales growth through acquisitions during the year, four of the five business areas were able to achieve organic growth of 2-10 percent. In many markets, the underlying level of growth in the market was exceeded, resulting in newly captured market shares.

However, strong growth, primarily in the rapidly expanding Chinese market also led to increased demand for raw materials and consequently steel prices doubled while oil prices remained high. Among others, this impacted the Automotive business area, which requires a large proportion of steel-related input goods. A large number of productivity and rationalization measures were unable to completely offset the effects of these price in-

creases on Trelleborg Automotive's margins. Extensive efforts are under way to compensate for cost increases through measures such as price increases, consolidation of suppliers and design changes in products.

The business areas Trelleborg Wheel Systems, Trelleborg Engineered Systems and Trelleborg Building Systems all also succeeded in increasing their sales and earnings compared with 2003 and Trelleborg Sealing Solutions, acquired in 2003, showed strong development in all of its sub-markets. Organic growth for the year was nearly 6 percent and the operating margin an excellent 13.5 percent.

On the whole, the Group in its current structure was able to demonstrate strong growth in both sales and earnings. Extensive benefit was derived from the favorable market conditions, with energetic market processing and innovative product launches. We are also pleased to have attracted attention in several ways for outstanding efforts, such as in DaimlerChrysler's Global Supplier Awards, where we were named Top Supplier in the chassis-products category.

During the year, we were also gratified to obtain a number of large and groundbreaking orders. Through the acquisition of Kunhwa, for example, we were able to secure our first major order from Daewoo. Naturally, deliveries and orders for the new super-jumbo Airbus A380 were also a milestone. So too was a newly-developed fire-protection product for oil platforms.

Trenor divested

In May 2004, the remaining 49-percent holding in the distribution companies Ahlsell, BE Steel and Reynolds was divested to Nordic Capital. The sale was the final important step in the re-positioning and streamlining of Trelleborg that began in 1999.

With a capital gain of SEK 620 M from the divestment and a positive cash flow of SEK 1,097 M, we are now able to focus our resources entirely on Trelleborg's development.

Integration and rationalization

A large part of the year's efforts focused on integration projects, primarily within Trelleborg Sealing Solutions. The integration process has progressed well in

line with expectations and during 2004, the effect on earnings amounted to approximately SEK 60 M of the total effect of SEK 100 M estimated for the end of 2005.

During the year, a number of rationalization projects were also implemented or initiated. For example, it was possible to complete the closure of Automotive's plant at Logansport, in the US and the transfer of its production, resulting in a personnel reduction of 300. Additional rationalizations were implemented in Automotive's German operations. Towards the end of the year, a decision was also made to close the tire-production facility in the town of Trelleborg, in Sweden.

Strengthening acquisitions

During 2004, the Group grew by slightly more than 900 employees and by approximately SEK 700 M in additional sales. The first and largest acquisition was Metzeler Automotive Hose Systems, which not only brought added sales of SEK 600 M, but also provided a leading position in systems for air intake and engine cooling, as well as a strengthened market presence in Eastern Europe. In May, the outstanding shares in the Japanese seal distributor Eika Corporation were acquired, markedly strengthening Trelleborg Sealing Solutions' distribution in Asia. In addition, a number of smaller, complementary acquisitions were made.

The Group's growth target of 8-10 percent per year is an important element in our financial targets. During 2004, many initiatives were taken to achieve organic growth, some of which have already provided results. These efforts continue to have priority. However, the Group will also continue to generate a significant proportion of its growth through acquisitions. The financial conditions for growth driven by acquisitions are highly favorable.

The debt/equity ratio was reduced from 111 percent to 84 percent during the year. With stable profitability and strong cash flow, we have all the conditions necessary to achieve our targets.

New markets, new growth

Through a combination of acquisitions and other initiatives, we increased our presence in growth areas important to the Group, such as Eastern Europe and

*Profit after financial items for continuing operations before goodwill amortization, restructuring costs and impairment losses.

Asia. Consequently, Trelleborg now has 11 production units and approximately 1,400 employees in Eastern Europe. The acquisitions of recent years have also strengthened our positions in countries including Singapore, Japan and South Korea. During 2004, an entirely new, state-of-the-art plant, twice the size of its predecessor, was completed for Automotive in Wuxi, in China. In Shanghai, construction of a new technical center com-

the year, to partly revise our description of Trelleborg as an industrial group. Our business concept now clarifies to a greater extent the benefit we generate for customers, that being to damp, seal and protect in demanding industrial environments in a global market. We target seven industrial markets where our core expertise – advanced polymer technology and in-depth applications know-how – help customers confront their most demanding challenges.

centenary. This will be manifested in various ways, both internally and externally, under the slogan “Quality is Timeless.” It is a vital and confident 100-year-old that now embarks on its second century armed with leading positions and a global approach. In the future, as now, the force driving the Group forward will be the energy of its employees.

For that reason, I would like to take this opportunity to thank all Trelleborg



“Our ambition is to continue to generate strong growth in both Asia and Eastern Europe.”

menced. Today, Trelleborg has about 2,150 employees in Asia.

The Group's ambition is to continue to generate strong growth in both Asia and Eastern Europe. However, advantages such as lower wages and costs are not the principal reasons for our interest in these areas. Above all, these markets represent an attractive platform for growth.

Focus on capital rationalization

During the year, a central initiative was initiated to improve the efficiency of the Group's capital management. A pilot project was conducted in Trelleborg Wheel Systems, with favorable effects. Strong potential has already been identified in all business areas and detailed activities to realize these have now been initiated. In total, the Group's rationalization potential is estimated to exceed SEK 300 M.

Custom-designed solutions for demanding industrial environments

Following the Group's repositioning process of recent years, we chose, during

You can read more about this on pages 4 to 7, as well as our strategic platform, our core values and our financial targets.

Continued growth in several of our industrial markets

During the first half of 2005, a varied trend is expected in Trelleborg's seven principal industrial markets.

Growth is expected to remain favourable in aerospace, agriculture, transportation equipment, oil/gas and other industries. Zero growth is expected for the automotive industry, while demand is expected to vary between different geographic sub-markets for construction and infrastructure-related industries.

The Trelleborg Group continues to focus on efficiency-improvement measures and price adjustments to balance the negative effects of increased prices for raw materials. To date, the results of these measures have been in line with plans.

A vital centenarian

During 2005, Trelleborg is celebrating its

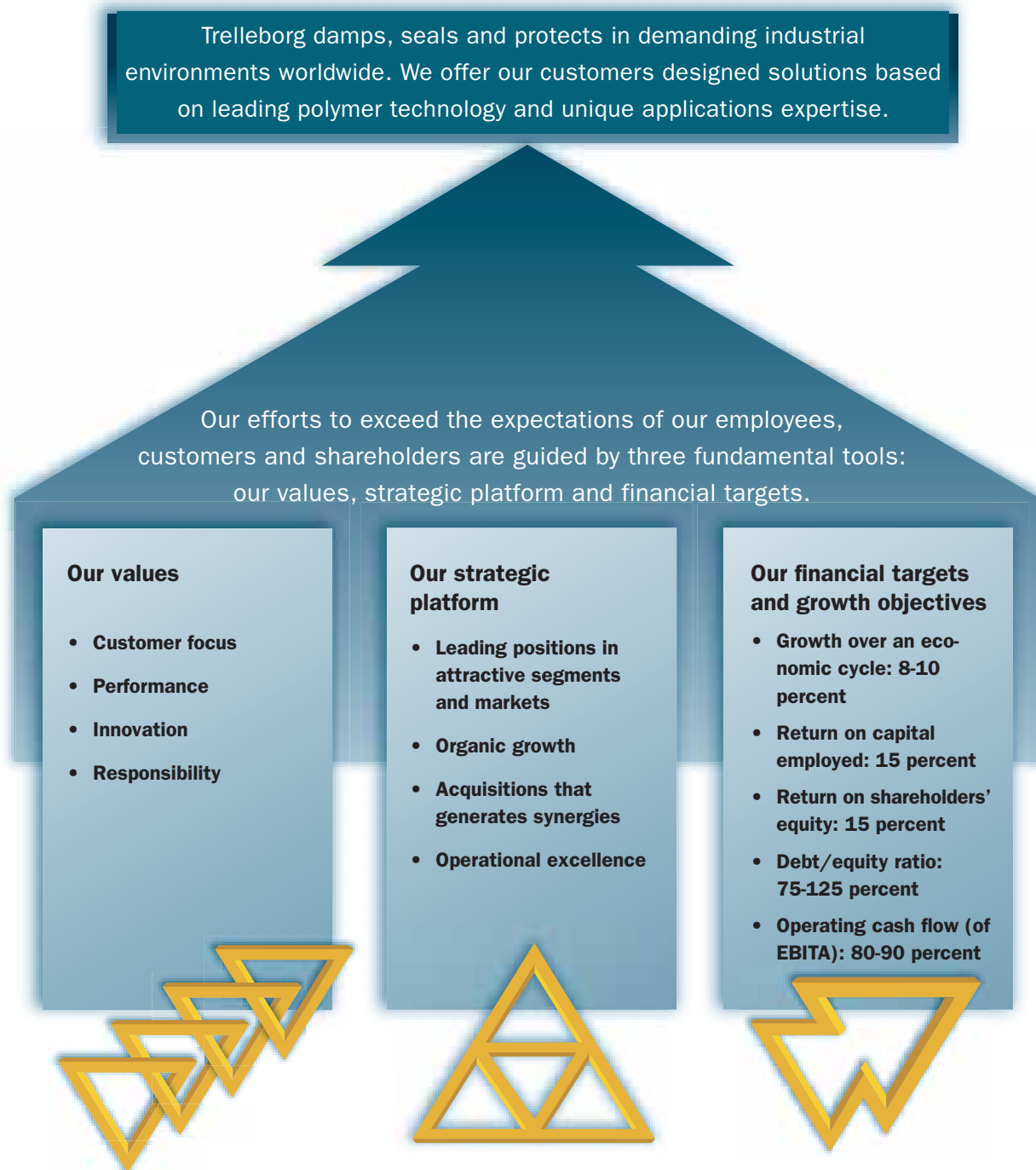
employees for their strong efforts, which have resulted in continued growth and stable profitability and, at the same time, I would like to welcome all new employees.



*Fredrik Arp, President and CEO
Trelleborg, February 2005*

PS. Millions were affected by the tsunami in Southeast Asia. One of the countries worst hit was Sri Lanka, where Trelleborg is a major employer with 800 employees. Fortunately, all of our employees survived and our facilities were not affected. However, the devastation of infrastructure and the homes of many employees is extensive. The Trelleborg Group has assisted with short- and long-term disaster aid, and a large number of contributions in various forms have been received from employees. I extend my most heartfelt gratitude for the great commitment and relief efforts of so many within Trelleborg.

Our business concept



Unevenness in road surfaces is transmitted into the vehicle as noise and vibration. This effect is amplified at higher speeds and on poorer surfaces. In a worst-case scenario, both safety and comfort are compromised. Trelleborg supplies vibration-dampening systems to the automotive industry worldwide.



Our values

The Group's employees use the corporate culture and values developed over the years as guidelines in their everyday work. Common values generate the continuity necessary in building and maintaining operations that are successful over the long term. The work performed in all areas of the Group must take into account the individual requirements of customers and, simultaneously, utilize the skills of our employees in many different cultural and social environments. Trelleborg's basic values are:

Customer focus

All our decisions are taken with the Group's customers in focus, since our success depends on their satisfaction. Before undertaking an action, we ask ourselves how this will produce added value for the customer and, ultimately, for Trelleborg. By customers we mean both internal and external customers.

Performance

Trelleborg is a performance-driven company. Our performance is measured in all areas and at all levels. The assessment is based on our being target-focused and having a deep understanding of our business. The focus on performance is reflected in our management-by-objectives policy and in the compensation paid to employees.

Innovation

In Trelleborg's demanding business environment, where we function mainly as a sub-supplier, innovation in the areas of product development, products and processes is a necessity. We solve the problems of our customers (and their customers) in a proactive manner, through innovative product development combined with high-quality, cost-efficient processes.

Responsibility

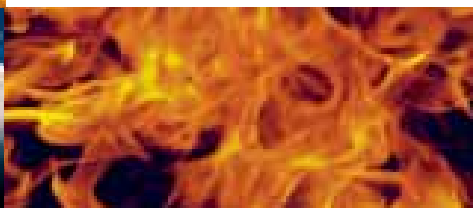
Our personnel want and have the courage to assume responsibility. We all share responsibility for the company as a whole and for its results. We are not merely responsible for our individual roles, departments or functions. The aim is to have the right people in the right place at the right time.

Our values

- Customer focus
- Performance
- Innovation
- Responsibility



The two NASA robots examining the surface of Mars are equipped with seals from Trelleborg. The winds on Mars can be strong, sometimes causing intense sandstorms. The highly specialized seals were developed and tested over a two-year period. The development process focused on weight, size and operating reliability.



Our strategic platform

Our strategic platform

- Leading positions in attractive segments and markets
- Organic growth
- Acquisitions that generate synergies
- Operational excellence



Trelleborg's platform is built on four "cornerstones." They reinforce each other and ensure that decisions and actions help us reach the Group's defined goals and satisfy the expectations of our stakeholders.

Leading positions in attractive segments and markets

Trelleborg strives to achieve market-leading positions (first, second and third) within clearly defined product and market areas. Our fundamental premise is that leading positions result in added value for our customers and a favorable financial trend for the Group. Assessing the Group's operations is an ongoing process that is accompanied by resource prioritization.

An example of this strategic focus is Trelleborg's increased presence in Asia.

Organic growth

Trelleborg focuses on creating stable and continuous organic growth. Growth opportunities are generally created in three dimensions:

- Customer-focused research and development in new product applications and functions.
- Penetration of new geographical markets.
- Penetration of new customer segments.

The aim is for the Group to achieve a higher growth rate than its underlying markets.

Acquisitions that generate synergies

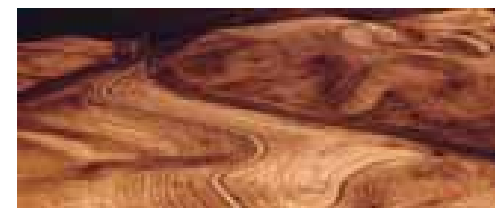
The Group's aggressive growth targets presuppose that growth will be driven by acquisitions. The Group proactively seeks acquisition candidates based on a number of criteria, including the following:

- They shall contribute advanced engineering or technologies that create added value.
- They must support the build-up of critical mass in attractive markets necessary to achieve leading positions.
- They shall offer solid potential for organic growth. Trelleborg has well-established acquisition skills and expertise, and the process is conducted systematically from the identification and evaluation of acquisition candidates to their acquisition and integration.

Operational excellence

To provide our customers with products and solutions of the highest quality, while at the same time being able to offer competitive prices, requires that we constantly develop our cost effectiveness. The Group continuously reviews aspects such as purchasing, processes and production localization.

Fire seals are extremely important for safety in jet aircraft. Trelleborg contributes to the development process, constructing seals that are specially adapted for each customer. In-depth knowledge of applications is essential to a company's ability to provide an appropriate solution.

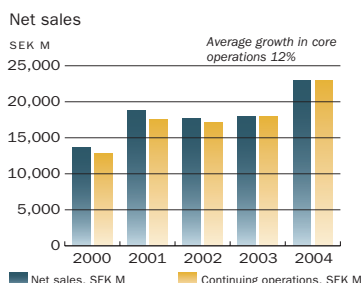


Financial targets

Growth targets

The overall goal is to create value for shareholders and other stakeholders through profitable growth. The target for average growth in sales has been set at 8–10 percent annually over an economic cycle. Growth shall be achieved organically and through ongoing acquisitions of new and complementary operations. Organic growth will be achieved through in-house product development and penetration of new geographic markets.

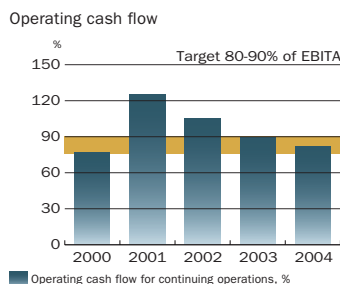
Over the past five years, sales have increased by an average of 12 percent. During the same period, organic growth has increased by 4 percent.



Operating cash flow

Operating cash flow is the most important source of financing for the target growth.

The target for operating cash flow is set at 80–90 percent of underlying operating profit (EBITA). The target level was reached in 2004.



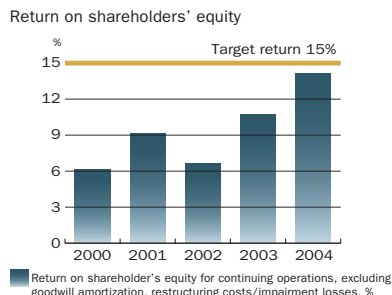
Return on capital employed

The target for return on capital employed is 15 percent over the long term. During 2004, return on capital employed amounted to 11.5 percent (11.4). Factors expected to contribute to the achievement of this target level in the next few years include margin improvements through volume growth, as well as structural and efficiency-enhancement measures. An improved rate of capital turnover is expected to contribute to a favorable trend. In 2004, we enjoyed robust growth as a result of completed acquisitions. With today's historically low interest rates, acquisition prices are such that the return from newly acquired units cannot be expected to reach 15 percent during the first few years following acquisition.



Return on shareholders' equity

The target return on shareholders' equity is set at 15 percent. During 2004, a return of 14.1 percent (10.7) was achieved. Key factors contributing to an ongoing favorable trend include improvement in the return on capital employed and a capital structure that provides a good balance between net debt and shareholders' equity.

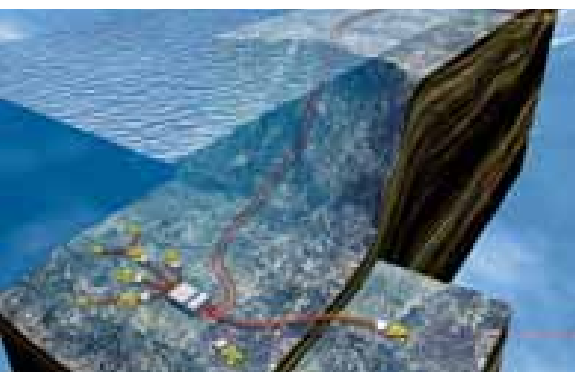
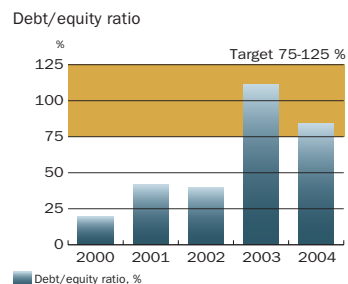


Our financial targets

- Growth over an economic cycle: 8–10%
- Return on capital employed: 15%
- Return on shareholders' equity: 15%
- Debt/equity ratio: 75-125 %
- Operating cash flow (of EBITA): 80–90%

Debt/equity ratio

The target for our capital structure is set to achieve an optimized balance between risk and return. The Group's target is for the debt/equity ratio to be within the interval of 75–125 percent. At the close of 2004, it was 84 percent, within the target range. The debt/equity ratio was sharply reduced during the year, partly owing to a strong underlying cash flow from business operations. Cash flow from the divestment of operations exceeded completed acquisitions during the year, which further reduced our net debt. Conversion of convertibles and exercising of options have also resulted in a certain increase in shareholders' equity.



The Norwegian gas project dubbed "Ormen Lange," which is to be operational by 2007, is the longest underwater pipe in the world. The pipeline in under the North Sea between Norway and England is 120 miles long. Trelleborg is delivering products for pipeline corrosion protection to the project.

The Trelleborg share in 2004

Trelleborg's Series B shares have been traded on the Stockholm Exchange since 1964. As of January 1, 2004, the shares have been included in the Exchange's Most Traded list.

The share capital in Trelleborg AB amounts to SEK 2,400 M, represented by 95,980,361 shares, each with a par value of SEK 25.00. Trelleborg has two classes of shares: 9,500,000 Series A shares and 86,480,361 Series B shares. Series A shares each carry 10 votes and Series B shares each carry one vote. All of the Series A shares are owned by the Dunker Funds and Foundations, which were created through testamentary disposition by former owner and founder of the Helsingborg and Trelleborg rubber-production plants, Henry Dunker, who died in 1962.

Share price and turnover

The price of Trelleborg's Series B shares decreased by 3 percent (+66) during the year. The All-share Index of the Stockholm Exchange increased by 17.6 percent (29.8) during the year. The highest price paid in 2004 was SEK 152.50, on April 22nd. The lowest price paid was SEK 96.50 on October 27. In 2004, 121.2 million (73.4 million) Trelleborg shares were traded on the Stockholm Exchange, corresponding to 132 percent (80) of the total number of shares in the company, or a value of SEK 14,555 M (6,839). In terms of value, Trelleborg's shares ranked 33rd (37th) among all shares traded on

the Stockholm Exchange in 2004. The average daily turnover amounted to approximately 479,000 shares (295,000), or SEK 57.5 M (27.5).

Of the total number of shares, excluding those held by Trelleborg AB, foreign shareholders corresponded to 17.45 percent (17.28), at December 31, 2004.

Institutions accounted for the majority of ownership. Of the total shares, excluding treasury shares, 77.0 percent (78.77) were owned by legal entities and 23.0 percent (21.23) by private individuals, representing 88.22 percent (89.46) and 11.78 percent (10.54), respectively, of the total number of votes.

This information is based on the official share register and list of trustees as of December 30, 2004.

Dividend policy

The Group's dividend policy is that, over the long term, the dividend should amount to between 30 and 50 percent of net profit for the year.

The Board of Directors and President propose that the 2005 Annual General Meeting approve the payment of a cash dividend of SEK 5.00 (4.50) per share, meaning that 45 percent of net income for the year will be distributed.*

Treasury shares

At year-end 2004, the number of shares outstanding totaled 95,980,361.

Excluding Trelleborg AB's treasury shares

(6,263,100), the number of shares outstanding totaled 89,717,261.

Convertible debenture, warrants and call option programs

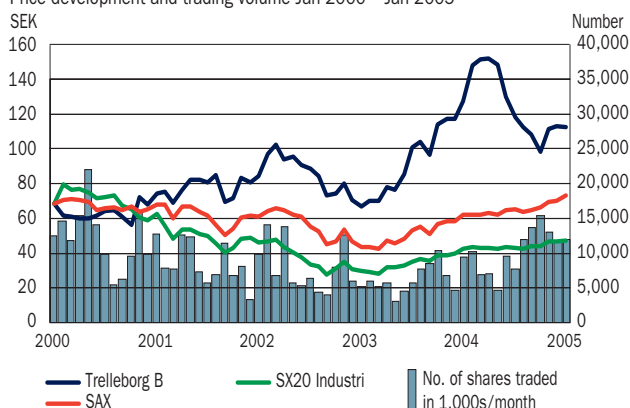
In 1998, the Parent Company issued a convertible debenture loan that was offered to all employees in Trelleborg's Swedish companies. The debentures could be converted to shares during the period February 21, 2003–April 15, 2004 at the conversion price of SEK 65.60. The conversion increased shareholder's equity by SEK 207 M. At the same time, the company issued warrants to senior executives in Sweden and other countries. The exercise of warrants increased shareholders' equity by SEK 89 M.

The exercise of call options for senior executives from 2001, within the exercise period of October 1, 2003 to March 31, 2004, at an exercise price of SEK 86 increased shareholders' equity by SEK 79 M during the year.

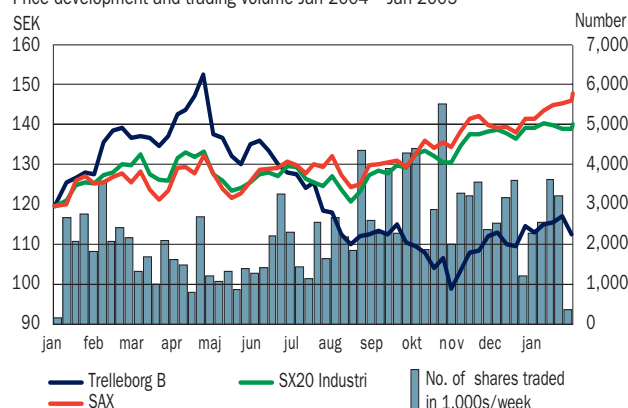
The exercise period for the options from 2002 at the exercise price of SEK 122 extends from October 1, 2004 to March 31, 2005. No options were exercised during the year.

A description of the convertible debenture and options programs is presented on page 63, Note 2, page 68, Note 23, and on page 70, Note 27.

Price development and trading volume Jan 2000 – Jan 2005



Price development and trading volume Jan 2004 – Jan 2005

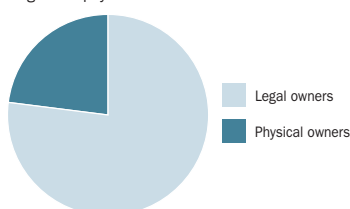


*Other proposals to the Annual General Meeting are presented on page 83.

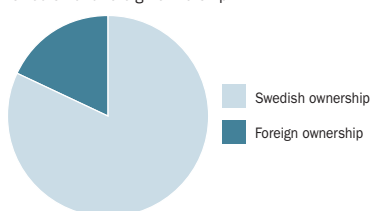
Earnings per share



Legal and physical owners



Swedish and foreign ownership



Ownership structure as at December 30, 2004

Shareholder	Number of shares	Percent of share capital ¹⁾	Percent of voting rights ¹⁾
Dunker Funds and Foundations	12,186,000	13.58%	55.75%
Alecta Pension Insurance	5,898,404	6.58%	3.37%
AFA/TFA Insurance Companies	4,017,860	4.48%	2.29%
Handelsbanken/SPP and Funds	3,735,366	4.16%	2.13%
FöreningsSparbanken and Robur	3,418,044	3.81%	1.95%
Skandia Insurance Company, Banks and Funds	2,592,472	2.89%	1.48%
Didner & Gerge Equity Fund	2,200,000	2.45%	1.26%
S-E-Banken and Funds	1,586,396	1.77%	0.91%
Länsförsäkringar	1,349,863	1.50%	0.77%
Northern Trust	1,133,170	1.26%	0.65%
Other shareholders	51,599,686	57.52%	29.44%
Total shares	89,717,261	100.00%	
Total votes	175,217,261		100.00%
Trelleborg AB, own shares	6,263,100	6.53%	3.57%
Total	95,980,361		

Distribution of shares as at December 30, 2004

At year-end 2004, the number of shareholders totaled 53,942 (50,216), of whom 29,130 (29,257) were directly registered and 24,812 (20,959) nominee-registered.

Number of shares	Number of shareholders	% of total No. of shares	Change, % fom Dec. 31, 2003
1-1,000	48,621	12.97	1.12
1,001-5,000	4,338	10.26	1.91
5,001-50,000	833	12.00	1.82
50,001-	150	64.77	-4.85
Total	53,942	100.00	

Number of shares, voting rights and share class

Share class	No. of shares	Percent	No. of votes	Percent
Series A	9,500,000	9.90	95,000,000	52.35
Series B	86,480,361	90.10	86,480,361	47.65
Total	95,980,361	100.00	181,480,361	100.00

Key data per share

SEK (unless specified otherwise)	2004	2003	2002	2001	2000
Continuing operations					
Earnings	3.65	7.00	4.05	4.70	5.90
Earnings, after dilution	3.65	6.80	3.85	4.50	5.60
Earnings, excluding restructuring costs/impairment losses	8.05	7.00	4.05	6.10	3.95
Earnings, excluding goodwill amortization and restructuring costs/impairment losses	12.40	9.40	5.75	7.65	4.90
Total, including divested operations					
Earnings	11.20	8.40	4.75	5.35	7.30
Earnings after dilution	11.20	8.15	4.65	5.20	7.05
Earnings, excluding goodwill amortization	15.60	10.80	6.50	6.90	8.25
Shareholders' equity per share	90.50	88.40	87.05	88.70	84.60
Shareholders' equity per share after dilution	90.50	87.60	86.15	87.85	83.45
Dividend	5.00 ¹⁾	4.50	4.25	4.00	3.75
Yield, %	4.4	3.8	6.0	5.0	5.5
Market price, B share, December 30	113.00	117.00	70.50	80.50	68.00
P/E ratio	10	14	15	15	9
No. of shares (excluding Trelleborg's own holdings)					
As at Dec. 30	89,717,261	84,291,318	83,686,772	86,646,572	101,437,027
Average	88,315,113	83,701,750	86,150,341	96,512,234	109,855,550
After dilution, Dec. 30	89,728,866	87,866,058	88,029,107	92,918,166	107,198,131
After dilution, average	88,326,738	87,276,490	90,492,676	100,731,462	115,127,144

1) According to Board of Directors' proposal

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Group operations in 2004

The Trelleborg Group can look back on a year with a new structure and a focus on integration processes and organic growth. The year 2004 was characterized by improved conditions in many of the Trelleborg Group's principal industrial markets. At the same time, conditions in the automotive industry remained challenging, with the impact of increased costs for raw materials, which required gradual adaptation at all levels.

- Net sales for the Trelleborg Group in 2004 amounted to SEK 22,912 M (17,960). For comparable units and currencies, sales rose by 3 percent.
- Operating profit amounted to SEK 1,554 M (1,208). The Group's profit after financial revenues and expenses amounted to SEK 1,267 M (1,091). Net profit amounted to SEK 988 M (702).
- Earnings per share were SEK 11.20 (8.40). The Board proposes a dividend of SEK 5.00 (4.50) per share.

Market trend and sales

For the Trelleborg Group, 2004 was a year of favorable growth. The first full year with the new structure confirmed that the Group is well positioned and has strong possibilities for growth. Our customer offering was strengthened and market coverage was broadened, both geographically and in terms of segments.

Market conditions in several of our seven principal industrial markets have improved. In the automotive industry, however, conditions remain challenging.

The Group's net sales in important growth markets, such as Eastern Europe and Asia, have strengthened.

During 2004, the Group's net sales rose by 28 percent to SEK 22,912 M. Organic growth in the Group's current structure was approximately 3 percent. Exchange-rate fluctuations had a negative impact of 2 percent.

In Europe and North America, the production of cars and light vehicles decreased by slightly less than 1 percent. *Trelleborg Automotive* achieved net sales of SEK 9,182 M (8,721). Excluding acquisitions/currency effects, the overall volume of sales was unchanged and in line with the underlying total market. Trelleborg Automotive further strengthened its presence in Asia and efficiency improvements in Europe affected earnings positively. The acquisition of Metzeler Automotive Hose Systems, which complements the product portfolio in the area of hose systems and provides a base in Eastern Europe, made a positive contribution. *Trelleborg Sealing Solutions* has been consolidated within the Group since the

Damp Seal Protect

Aerospace



Agriculture



Transportation equipment



Automotive



Oil/gas



Infrastructure/construction



Other industry



Our market

The Trelleborg Group offers technological solutions that meet three principal customer needs: to damp, seal and protect.

These functions have many areas of use in various industries worldwide.

Based on polymer technology and in-depth applications know-how, Trelleborg develops products and solutions designed to meet specific needs, often in close collaboration with customers.

The Group's customer groups are to be found primarily within the aerospace, agricultural, automotive, infrastructure/construction, transportation equipment, oil/gas and other industries.

Industrial rubber – part of our market

A significant part of Trelleborg's operations are included within the framework of what can be termed industrial rubber. It is estimated that this market generates global annual sales of approximately SEK 500 billion (equal in size to the global market for tires). Combined, the European and North American share of this market corresponds to nearly 60 percent. The market for industrial rubber includes product areas such as antivibration products, hoses and seals.

Although the market is fragmented, a gradual process of consolidation is in progress – the share of the ten largest players has risen from about 10 percent to about 25 percent over the past five years. Trelleborg is playing an active role in this process. Including the acquisitions of Smith's Polymer Sealing Solutions and Metzeler Hose Systems, the Group is now one of the largest players in industrial rubber.

fourth quarter of 2003. Net sales in 2004 amounted to SEK 5,009 M. This entails an increase in comparable currencies/units of nearly 6 percent compared with 2003. There has been an increase in demand in the business area's principal markets. During the year, integration efforts were extensive. At the same time, the business area launched several innovative products.

Demand in the market for industrial supplies was fairly stable both in Europe and North America. *Trelleborg Engineered Systems* had a highly favorable trend with strong demand for project-related products. Net sales for Trelleborg Engineered Systems amounted to SEK 3,961 M (3,564). In comparable currencies, sales rose by 4 percent compared with 2003.

Market conditions for *Trelleborg Wheel Systems* improved during the year. In Europe, demand for agricultural tires rose. The market for industrial tires also rose in both Europe and North America compared with 2003. Net sales for Trelleborg Wheel Systems totaled SEK 2,933 M (2,704). In comparable currencies/

units, sales increased by 10 percent compared with 2003.

During the year, the market trend in the Scandinavian construction markets stabilized and the Western European market was relatively stable with the exception of Germany, which fell further. *Trelleborg Building Systems* increased its net sales to SEK 2,257 M (2,053). In comparable currencies/units, the increase was 2 percent.

Significant profit increase

For the Group as a whole, net profit rose to SEK 988 M (702), corresponding to earnings per share of SEK 11.20 (8.40). Capital gains and continuing earnings from divested units provided a positive net contribution of SEK 656 M (117).

Restructuring costs and impairment losses affected profit for the year negatively by SEK 377 M (-) after tax.

The Group's operating profit totaled SEK 1,554 M (1,208). Profit after financial items amounted to SEK 1,267 M (1,091).

Profits from continuing operations, excluding goodwill amortization, restruc-

turing costs and impairment losses developed extremely well. According to this definition, EBITA rose by 43 percent to SEK 1,818 M (1,271). All business areas, with the exception of Trelleborg Automotive, improved their profits compared with 2003. The PSS acquisition in 2003 contributed strongly to the improvement in profits. Profit after financial items increased by 35 percent to SEK 1,531 M (1,130), and net profit to SEK 1,097 M (788). By this definition, earnings per share rose to SEK 12.40 (9.40), corresponding to an increase of 32 percent.

Associated companies and financial investments

During the second quarter, the Trelleborg Group divested its 49-percent holding in the Trenor Group to Nordic Capital's funds IV and V. For Trelleborg's part, the purchase price amounted to SEK 1,100 M and the capital gain was SEK 620 M. The sale represents the last major step in the repositioning and streamlining of the Trelleborg Group that commenced in 1999.

The Trelleborg Group's participation in the profits of the Trenor Group (49 percent), comprising Ahlsell, Bröderna Edstrand and Reynolds, up to the divestment in May amounted to SEK 55 M. For full-year 2003, the participation amounted to SEK 156 M.

Restructuring measures

Closure of Logansport plant

During the year, the closure of Trelleborg Automotive's plant at Logansport, Indiana, in the US, was implemented, completing Trelleborg Automotive's structural rationalization program in North America.

All production at the Logansport facility has been transferred to other units, primarily within North American operations. In conjunction with the closure, an agreement was reached with the Unites Steelworkers Association (USWA). The agreement affected some 300 em-

Global industrial rubber suppliers

Position	Company	Country
1	Hutchinson	France
2	Trelleborg	Sweden
3	Bridgestone	Japan
4	Freudenberg	Germany
5	Tomkins	UK
6	Parker-Hannifin	US
7	Continental	Germany
8	Cooper	US
9	Tokai	Japan
10	NOK	Japan

Note: It is judged that Continental will assume the leading position through its acquisition of Phoenix.
Source: Rubber & Plastics News, July 2004, Trelleborg

expertise through its knowledge of customers' situation and requirements. Core industrial expertise and polymer technology characterize all of the business areas, as do products with a high technical content that provide added value for customers.

Synergies enhance competitiveness

Focused product development, cost-efficient production and synergies in purchasing and material flows are critical for achieving favorable earnings in operations and commercially successful products and solutions. To strengthen its competitiveness, the Group looks for opportunities to coordinate activities between the business areas within all of these areas.

Customer-oriented organization

Due to the fact that the Group's solutions are used in many different applications and products, entailing a large number of customer groups, Trelleborg is divided into five business areas. Each of these focuses on certain customer segments, enabling it to offer cutting-edge skills and applications

Group operations in 2004

Restructuring costs and impairment losses

SEK M	Restructuring costs affecting cash flow	Impairment losses	Total	Estimated effect on earnings after full implementation	Of which, affecting cash flow	Estimated completion of project
Restructuring costs and impairment losses within the AVS business unit:						
– Logansport	54		54	55	50	2004
– Breuberg, etc.	42	137	179	35	25	2005
Trelleborg Automotive	96	137	233	90	75	
Transfer of tire production from town of Trelleborg						
	84	116	200	55	50	2006
Trelleborg Wheel Systems	84	116	200	55	50	
Measures related to Trelleborg site and mixing operations						
	43	60	103	20	15	2006
Trelleborg Engineered Systems	43	60	103	20	15	
Total before tax	223	313	536	165	140	

ployees and involved pension matters, healthcare and severance payments.

The agreement entailed a cost of SEK 60 M for the closure being charged against the Trelleborg Group's operating earnings for the second quarter of 2004. The measures affected operating profit for the year positively by SEK 30 M.

Trelleborg Automotive Europe

As a consequence of previous structural measures in Trelleborg Automotive Europe, the value of certain assets in Breuberg was written down, and further personnel cutbacks were announced.

Transfer of tire production and related measures

During the fourth quarter of 2004, a decision was made regarding a restructuring program primarily involving measures within Trelleborg Wheel Systems but also affecting Trelleborg Automotive and Trelleborg Engineered Systems.

The measures within Trelleborg Wheel Systems involve the closure of tire-production in the town of Trelleborg. The background to the decision is the diminishing market for the type of agricultural tires manufactured in Trelleborg

and strongly increasing competition from low-cost countries.

The production of cross-ply tires will be transferred to new and existing suppliers during 2005. Production in the town of Trelleborg is expected to continue until the end of 2005. In addition, the focus on radial tires will gradually increase, entailing increased production at the Group's plant in Italy.

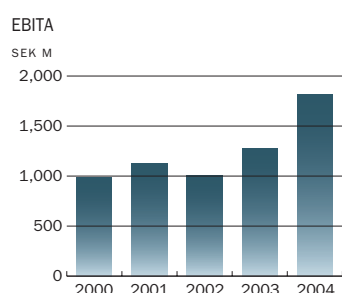
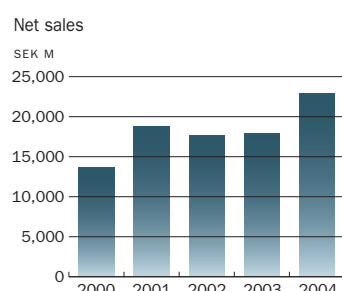
The decision to close the tire-production facility will also entail capacity adjustments for operations such as mixing, inventory management and administrative support functions at the Trelleborg location. In total, it is estimated that approximately 200 jobs will be affected, about 130 in production and about 70 in administration.

These measures also entail certain subsequent measures within Trelleborg Engineered Systems. A review is also being conducted aimed at optimizing the structure of the Group's mixing operations in northern Europe, which include Trelleborg's facility in Hoogezand, in the Netherlands. In the future, efforts will be made to develop the Trelleborg unit as an advanced center focusing on mixing and other types of semimanufactured goods.

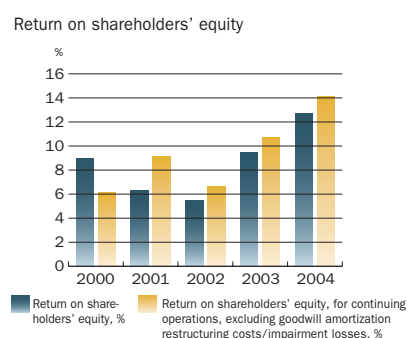
Structural changes

Transfers between business areas

During the year, units were transferred between Trelleborg's business units as a consequence of the acquisition in 2003 of Polymer Sealing Solutions (PSS). The new business area, Trelleborg Sealing Solutions, was consolidated in the Group's earnings effective from the fourth quarter of 2003. On January 1, 2004, parts of Trelleborg Sealing Solutions, comprising Forsheda Pipe Seals, and Trelleborg Engineered Systems' Pipe Seals product area were transferred to Trelleborg Building Systems. The new business unit has approximately 265 employees. Also on January 1, 2004, Trelleborg Engineered Systems gained approximately 330 employees and annual sales of approximately SEK 300 M as a consequence of organizational changes. The operations transferred from Trelleborg Sealing Solutions to Trelleborg Engineered Systems had annual sales of approximately SEK 500 M.



EBITA = operating profit/loss for continuing operations, excluding goodwill amortization, restructuring costs and impairment losses, SEK M



Acquisitions during 2004:

January: Metzeler Automotive Hose Systems (vehicle components)

In January, Trelleborg acquired Metzeler Automotive Hose Systems, a division within Metzeler Automotive Profile Systems SA with about 900 employees and annual sales of approximately SEK 600 M. The purchase price amounted to SEK 275 M. Metzeler strengthens Trelleborg Automotive in the area of hose systems – components and systems for engine-cooling, vacuum and air-intake applications – and is included in the Fluid & Acoustic Solutions business unit. Its product portfolio includes rubber and silicone hoses. The acquisition strengthens Trelleborg's market presence in Eastern Europe, adds new customers and complements Trelleborg's existing product portfolio in hose systems. The head office is situated in Mannheim, Germany. Metzeler's three production units are located in Poland, the Czech Republic and Italy and the company has sales offices in the UK and France.

March: Dynaflex Division (special hoses)

The Dynaflex Division, with a smaller unit for the production of composite hoses in France, was acquired in March 2004. Dynaflex is being integrated with Unifluid (which was acquired during the autumn of 2003) to form a combined unit within Trelleborg Engineered Systems. The new unit will be the European leader in the composite-hose segment. Typical applications include tank-truck hoses, aircraft-fuel hoses and hoses for aggressive chemicals. The acquisition represents part of the business area's strategy to expand within selected industrial hose segments, where Trelleborg has a strong competitive position and favorable future profitability.

May: Eika Corporation (distributor of special seals)

The remaining 49 percent of shares in Japanese subsidiary Eika Corporation were acquired in May 2004. The 51-percent already held in Eika was included in the Trelleborg Group's acquisition of Polymer Sealing Solutions in 2003. The purchase price amounted to SEK 32 M. Eika, which has sales of approximately SEK 130 M and 17 employees in Tokyo, is a specialized supplier of precision seals for the automotive, chemical and process industries. The acquisition represents a strategic reinforcement of Trelleborg Sealing Solutions' distribution operations.

October: BATEK (pipe seals)

The operations of BATEK of Norway, which specialize in the pipe-seal after market, were acquired in October 2004. The acquisition complements Trelleborg Building Systems in its Pipe Seals product area, and provides increased access to the expanding after market in the Nordic region. BATEK has annual sales of approximately SEK 10 M.

November: American Ecoboard Inc. (marine fender systems)

In November, Trelleborg acquired the operations of US-based Ecoboard, which develops and manufactures marine pilings and decking structures in composite materials. Ecoboard, which has annual sales of approximately SEK 20 M, produces most of its products on a base of reclaimed polymer materials. The acquisition results in a broadened product range in marine engineering solutions, with harbor facilities as the principal end customer, while it strengthens Trelleborg's already leading position in the area. Ecoboard is being integrated within Trelleborg Engineered Systems' existing operations in the US.

Group operations in 2004

Parent Company

The Parent Company's operations primarily comprise Group functions. Trelleborg AB's profit after financial revenues and expenses amounted to SEK 3,275 M (463). The increase was the result of dividends paid by subsidiaries. No sales were made. Investments amounted to SEK 2 M (1).

Work of the Board of Directors

The Trelleborg AB Board of Directors consists of seven members who are elected by the Annual General Meeting, including President and Chief Executive Officer, Fredrik Arp. Three members and one deputy are appointed to the Board by employee organizations. CFO, Bo Jacobsson, and Senior Vice President, Group Finance, Gertrud Andersson, attend the meetings, as does General Counsel, Ulf Gradén, who also acts as the Board's secretary. Other salaried employees of the company participate in the Board's meetings to make presentations on particular matters.

During the 2004 fiscal year, the

Board held nine (eight) regular meetings, of which two were special meetings.

Each year, the Board establishes written rules of procedure regulating its internal division of duties, decision-making procedures, the procedure of its meetings and the duties of the Chairman. The Board's work follows an agenda designed to meet its information requirements. The Board also reviews business with the company's external auditors on several occasions each year.

A remunerations committee directed by the Chairman decides on matters relating to the salary and terms of employment for the President, which are reported to the Board. The remunerations committee also formulates guidelines for persons reporting directly to the President. During the period until the 2005 Annual General Meeting, this committee will consist of the Chairman of the Board and Berthold Lindqvist. For further information on the Board's work, committees and so forth, see the Corporate Governance Report, pages 76-82.

Nominations Committee

The nomination of Board members shall be conducted in accordance with the procedures adopted by the 2004 Annual General Meeting.

A nominations committee has prepared proposals for the 2005 Annual General Meeting pertaining to Board composition and fees for Board members. In accordance with a resolution by the Annual General Meeting, the Chairman of the Board may be elected to the nominations committee and may also be appointed its Chairman, and this was the case. The members of the nominations committee are Didrik Normark of the Dunkers Funds and Foundations, Mats Lagerqvist of Robur, Ramsay Brufer of Alecta, Torsten Johansson of Handelsbanken Fonder and Lars Öhrstedt of AFA/TFA.

The group held three meetings. As a basis for the committee's work, the President presented information on the company's operations and strategic direction at the first meeting. The Chairman of the Board provided information on the Board's work during the year, including annual evaluations of Board members, the work of the Board's remunerations committee and the Board's annual review with the external auditors.

No remunerations were paid to the members of the nominations committee.

Continued growth in several of our industrial markets

During the first half of 2005, a varied trend is expected in Trelleborg's seven principal industrial markets.

Growth is expected to remain favourable in aerospace, agriculture, transportation equipment, oil/gas and other industries. Zero growth is expected for the automotive industry, while demand is expected to vary between different geographic sub-markets for construction and infrastructure-related industries.

The Trelleborg Group continues to focus on efficiency-improvement measures and price adjustments to balance the negative effects of increased prices for raw materials. To date, the results of these measures have been in line with plans.

Transition to reporting in accordance with IFRS (International Financial Reporting Standards)

Effective January 1, 2005, the Trelleborg Group's financial reports will be prepared in accordance with the EU-approved IFRS (International Financial Reporting Standards). The interim report for the first quarter of 2005 will be presented in accordance with IFRS. For the Trelleborg Group, the most significant adjustments involve IFRS 3 Business Combinations and IAS 39 Financial Instruments: Recognition and Measurement. With regard to IFRS 3 Business Combinations, the Income Statement and Balance Sheets for 2004 will be reworked in order to be reported in accordance with this regulation while IAS 39 Financial Instruments: Recognition and Measurement will affect the Income Statement and Balance Sheets effective from 2005, with an adjustment of the opening balance for shareholders' equity at January 1, 2005.

IFRS 3 – Business Combinations

IFRS 3 requires that goodwill and other intangible assets with an indefinite useful life no longer be amortized but that earning capacity be tested annually. Trelleborg conducted impairment tests in 2004 and found no need for impairment-loss recognition. Goodwill amortizations implemented in 2004 have been reversed. A further effect of the transition to IFRS 3 relates to changes in the rules for allocating the cost of an acquisition, requiring that the purchase price also be allocated across other intangible assets. According to IFRS 3, allocations to restructuring reserves in connection with acquisitions are not permitted to have any effect on goodwill. Adjustments have been made for the restructuring reserves affecting the goodwill for acquisitions made in 2004.

IAS 39 – Financial Instruments: Recognition and Measurement:

IAS 39 entails changed rules for hedge accounting. The Trelleborg Group's preliminary assessment is that IAS 39 will have no material effect on the opening balance of shareholders' equity at January 1, 2005.

The effects on the Trelleborg Group's Income Statement and Balance Sheets for 2004 are reported in accordance with the above-mentioned regulations on page 74.

Continuing operations

Net sales and operating profit/loss

SEK M	Net sales		EBITDA excl. restructuring costs		EBITA excl. restructuring costs		Operating profit/loss excl. restructuring costs		Operating profit/loss incl. restructuring costs	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Trelleborg Automotive	9,182	8,721	981	1,072	607	725	504	622	271	622
Trelleborg Sealing Solutions	5,009	1,194	839	161	678	118	445	61	445	61
Trelleborg Engineered Systems	3,961	3,564	404	337	283	224	250	200	147	200
Trelleborg Wheel Systems	2,933	2,704	280	244	167	135	151	119	-49	119
Trelleborg Building Systems	2,257	2,053	254	218	191	165	173	147	173	147
Other companies			-2	-5	-10	-13	-10	-13	-10	-13
Group items			-96	-80	-98	-83	-98	-84	-98	-84
Elimination	-430	-276								
Continuing operations	22,912	17,960	2,660	1,947	1,818	1,271	1,415	1,052	879	1,052

SEK M	2004			2003		
	Impairment losses	Restructuring costs	Total	Impairment losses	Restructuring costs	Total
Trelleborg Automotive	-137	-96	-233	-	-	-
Trelleborg Engineered Systems	-60	-43	-103	-	-	-
Trelleborg Wheel Systems	-116	-84	-200	-	-	-
Total	-313	-223	-536	-	-	-

Operating ratios

	Capital employed, SEK M		Operating margin (ROS), %, excl. restructuring costs/impairment losses		Operating margin (ROS), %, incl. restructuring costs/impairment losses		Return on capital employed (ROA), %, excl. restructuring costs/impairment losses		Return on capital employed (ROA), %, incl. restructuring costs/impairment losses	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Trelleborg Automotive	5,049	4,927	6.0	8.0	3.5	8.0	11.5	14.2	7.1	14.2
Trelleborg Sealing Solutions	5,892	5,983	13.5	9.8	13.5	9.8	11.2	7.1	11.2	7.1
Trelleborg Engineered Systems	1,722	1,871	7.1	6.3	4.5	6.3	15.3	12.6	9.8	12.6
Trelleborg Wheel Systems	1,306	1,559	5.7	5.0	-1.1	5.0	11.0	8.5	-2.1	8.5
Trelleborg Building Systems	840	872	8.3	8.0	8.3	8.0	21.4	19.8	21.4	19.8
Other companies	144	156								
Group items	-33	89								
Provisions for restructuring measures	-184									
Continuing operations	14,736	15,457	7.7	6.9	5.3	6.9	11.5	11.4	8.1	11.4

Operating profit/loss, continuing operations excluding goodwill amortization and restructuring costs/impairment losses per quarter (EBITA)

SEK M	Jan - Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2004	2003	2004	2003	2004	2003	2004	2003
Trelleborg Automotive	176	166	179	189	93	138	159	232
Trelleborg Sealing Solutions	190	-	194	-	151	-	143	118
Trelleborg Engineered Systems	65	57	79	53	56	49	83	65
Trelleborg Wheel Systems	46	47	44	41	42	32	35	15
Trelleborg Building Systems	24	6	61	51	71	73	35	35
Other companies	-3	-3	-3	-1	-2	-2	-2	-7
Group items	-18	-19	-34	-20	-18	-29	-28	-15
Continuing operations	480	254	520	313	393	261	425	443

For definitions, see page 85.



Affärsområdeschef
George Caplea

Trelleborg Automotive is a world leader in the development and manufacture of polymer-based components and systems used for noise and vibration damping for passenger cars, light and heavy trucks, and for rail, marine and industrial applications.

The head office is located in South Haven, Michigan, in the US.

Production units are located in Brazil, China, the Czech Republic, France, Germany, India, Italy, Mexico, Poland, Slovakia, South Korea, Spain, Sweden, Turkey, the UK and the US.

Markets and customers

The main focus of the Business Area's activities lies in NVH (noise vibration harshness). Trelleborg's primary area of activity is the automotive market in Europe and North America, with a growing focus on Asia. The Japanese market is covered through cooperation with the leading Japanese manufacturer in the region, Tokai Rubber. Key customers include DaimlerChrysler, Ford, General Motors, Renault Nissan, the Volkswagen Group, and Tier-1 manufacturers such as Valeo and Delphi.

Significant trends

Developments in the world's automotive markets are the single most important external factor for Trelleborg Automotive. The underlying market growth for light vehicles in the traditional markets is moderate and in line with trends in GDP and private consumption. In the emerging markets, growth is stronger, with China playing a key role in this trend.

A factor favoring Trelleborg is an increasing demand for products that reduce noise and vibration and enhance vehicle-ride comfort. Vehicle manufacturers continue to prioritize noise damp-

ing and passenger comfort in differentiating their car models.

The trend within the global car industry is towards fewer and larger suppliers. A process of consolidation and structural development is taking place within the industry with several competitors, particularly in Europe, belonging to industrial groups whose core operations are outside the automotive sector. Trelleborg has been active in the consolidation process and the Group intends to continue to participate in the restructuring with the purpose of reinforcing its leading position.

Today, most of Trelleborg Automotive's production is sold directly to car manufacturers. This share can be expected to decrease with time, since original equipment manufacturers are increasingly outsourcing entire systems to tier-1 suppliers. These include companies such as Delphi, GKN and Valeo. Trelleborg is working actively to strengthen its position among the Tier-1 suppliers.

The automotive industry is currently subject to pricing pressure. Trelleborg is meeting this with an increased focus on cost-efficient production.

Strategic priorities

- Increased presence in Asia.
- Mitigated impact of fluctuating costs for raw materials.
- Increased focus on low-cost, competitive countries.
- Product development close to the customer.
- Continued market leadership.
- Complementary acquisitions.

Two business segments:

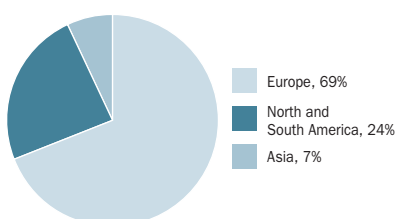
Antivibration Systems: Noise and vibration solutions to all vehicle segments and industrial markets, pneumatic suspension systems and thermoplastic boots to drive-shafts manufacturers. The market for antivibration components and bushings is valued at approximately SEK 48 billion annually.

Position and competitors: Trelleborg Automotive is the world-leading supplier of vibration-damping systems for vehicles, and of thermoplastic boots. In Industrial AVS, Trelleborg is the market leader in Europe and number three in the US. Trelleborg's principal competitors are companies such as Cooper Standard, Vibracoustic, ZF Lemforder and Paulstra/Bridgestone. Freudenberg-NOK, ABC and Wynn's compete in the market for thermoplastic boots.

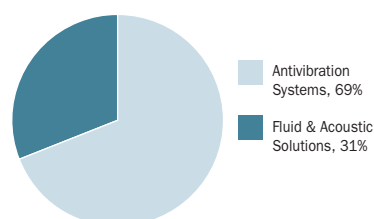
Fluid & Acoustic Solutions: Engine-cooling, air-supply and acoustic-management systems for cars and trucks. The division is a materials specialist also supplying brake shims, applied damping materials and gas struts. The global market for engine cooling systems is valued at approximately SEK 10 billion annually.

Position and competitors: Fluid & Acoustic Solutions is the technological leader in its field and has strengthened its leading position in Europe through its recent acquisition of Metzeler Automotive Hose Systems. Competitors include Hutchinson, Contitech, Avon, Phoenix and Mark IV. Trelleborg Rubore is the global market leader for the supply of brake shims, with Wolverine and MSC as its main competitors.

Net sales per geographic market



Net sales per business segment

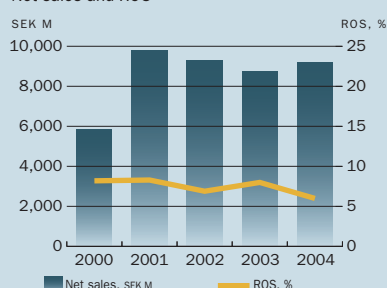


In the "quiet room" at the development center in Höhr-Grenzhausen, Germany, technicians seek out unwanted noises to then develop products and solutions that damp them.

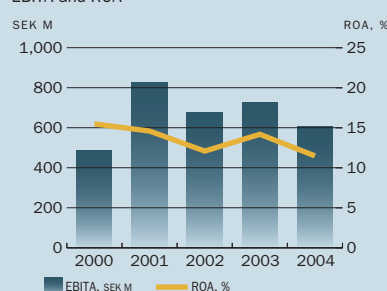


SUMMARY OF 2004

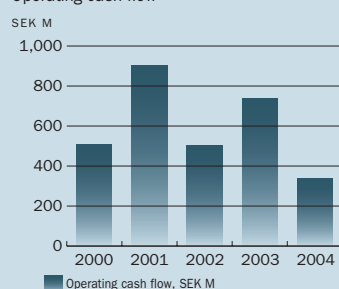
Net sales and ROS



EBITA and ROA



Operating cash flow



Sales and earnings

- Sales increased to SEK 9,182 M. In comparable currencies/units, sales decreased by 1 percent. Favorable sales in Europe partly offset decreased sales in North America.
- Operating profit decreased, affected by nonrecurring costs and increased costs for input materials. Efficiency improvements in Europe and increased volumes in Asia made a positive contribution.
- Cash flow decreased, partly due to the negative effects of increased cost for input materials, and an increased investment level.

Significant events

- Strategic reinforcement of the Fluid & Acoustic Solutions segment through the acquisition of Metzeler Automotive Hose Systems, which has some 900 employees and operations in Eastern Europe.
- Global technical knowledge transfer helped secure organic growth in Asia.
- The new plant constructed in Wuxi, China, replaced the existing plant and brought increased capacity.
- New technical center opened in Shanghai.
- Closure of the Logansport plant as part of the consolidation of the production structure in North America.
- Continued rationalization of operations in Europe, including the transfer of production to countries with lower cost levels.
- Impairment loss recognized for assets in Breuberg and certain personnel reductions implemented.

Key figures

	2004	2003
Net sales, SEK M	9,182	8,721
Share of Group net sales, %	39.3	47.8
EBITA, SEK M	607	725
Operating margin, % (ROS)	6.0	8.0
Operating profit, excluding restructuring costs/ impairment losses, SEK M	504	622
Operating profit, including restructuring costs/ impairment losses, SEK M	271	622
Capital employed, SEK M	5,049	4,927
Return on capital employed, % (ROA)	11.5	14.2
Investeringar i anläggningstillgångar, MSEK	546	393
Operating cash flow, SEK M	340	740
Average number of employees	9,608	8,487

The year 2004

Market development

The North American automotive industry continued to experience challenging market conditions during the year. Discounts helped keep inventory levels down early in the year, although they began to rise again during the latter part of the year. Growing concerns over rising fuel prices led to an increase in the popularity of smaller cars and hybrid engines. Asian car manufacturers increased their market share globally.

In Europe, several leading car manufacturers announced declining profits and consequently intensified their efforts to recoup costs from the supply base. Increases in steel prices exerted further pressure on the industry's profitability. Plant closures were announced by GM and Fiat. BMW, PSA and Renault Nissan made share gains in an otherwise static market.

For the 2004 full year, car production in North America and Western Europe decreased by slightly less than 1 percent compared with 2003.

Growth

The acquisition of Metzeler Automotive Hose Systems was finalized in 2004, increasing manufacturing presence in Eastern Europe, enhancing the existing customer base and strengthening Trelleborg's expertise in areas including silicone.

The utilization of the competitive advantages offered by low-cost, competitive countries continued to be a major focus of activities for both sourcing and manufacturing initiatives. Operations in Mexico expanded and a new plant was constructed in Wuxi, China.

The policy of knowledge transfer between different parts of the Group led to significant progress in Asia as did the Tokai alliance. South Haven engineers worked closely with colleagues in South Korea to secure the first major order from Daewoo. Cooperation with Tokai helped secure orders for a new platform within the Ford Group. Mazda in Japan is responsible for the development and design of the platform.

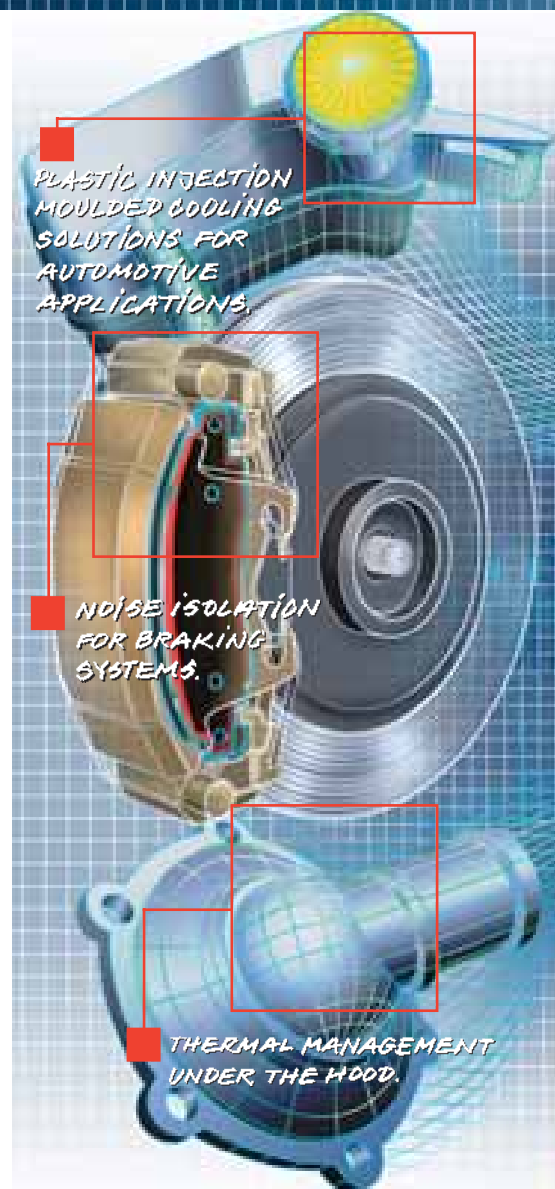
To further strengthen the business area's position in Asia, a regional sales and development office was established in Shanghai and a sales office was set up in Japan.

Product development

In the automotive industry, Trelleborg's development efforts in close cooperation with customers represent a decisive competitive advantage. The ongoing development of vehicles adapted to social trends and lifestyles has brought increased pressure to shorten development lead times. Use of new materials such as aluminum and thermoplastics is also growing and this is reflected in our many development programs with the major car manufacturers. Trelleborg's global network of plants is now supported by regional design and development headquarters which are centrally coordinated.

Efficiency improvements

- The closure of the Logansport plant in Indiana, in the US was completed during the third quarter of 2004.
- Reorganization within the business area reduced the number of business units from four to two; Antivibration Systems and Fluid & Acoustic Solutions. The result is a more efficient and market-focused organization with improved communications and stronger synergies.
- West European operations were further downsized in favor of increased production capacity in Turkey and Eastern Europe.
- To combat increased prices for input materials, the supply base was rationalized and suppliers offering competitive advantages in the area of pricing were prioritized.
- The number of Industrial AVS distributors was reduced and a central customer-service centre was established.



THE THERMAL MANAGEMENT
UNDER THE HOOD.

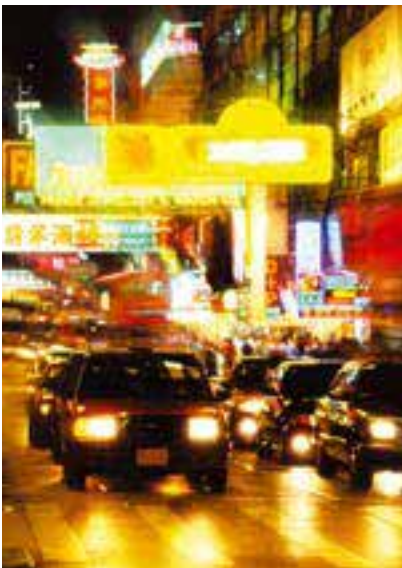


RUBBER TO METAL BONDED
BUSHINGS AND MOUNTING
SYSTEMS FOR AUTOMOTIVE,
MARINE, OFF HIGHWAY, RAIL,
AND INDUSTRIAL MARKETS.

SPECIALIST ENGINE
MOUNTING SOLUTIONS.



Good vibrations ■
increasing the flow



Conventional Hydramounts consist of an upper and lower chamber, usually divided by a metal or plastic plate. A channel spirals between the two chambers supplying hydraulic fluid. The fluid starts in the upper chamber and through vibration and excitation flows through the channel into the lower chamber. The fluid and the geometry of the channel improves the damping properties of a conventional rubber mount.

For a straight six-cylinder, pure aluminum engine, the excitations on start-up are not enough to make the fluid run quickly into the lower chamber and the damping effect is insufficient. Trelleborg worked very closely with Daewoo of South Korea to develop a "decoupled hydramount" (a technically advanced engine mount with hydraulic damping) for just such an application, Daewoo's top of the range Magnus. A decoupled mount uses a rubber membrane instead of a rigid plate to divide the chambers. The membrane expands with initial vibrations and slowly passes fluid between the two chambers as vibrations increase. This passive solution provides excellent damping both when the car is idling and in motion.



Trelleborg Sealing Solutions is a leading, global supplier of precision seals for the industrial, automotive and aerospace markets.

The head office is located in Stuttgart, Germany. The business area has a marketing driven organization with three geographic business units for marketing, sales and logistics – Europe, the Americas and the Asia-Pacific region – as well as two globally-focused business units for manufacturing (Elastomers and Plastics/PTFE).

Production units are located in Brazil, Canada, Denmark, France, India, Italy, Japan, Malta, Mexico, Poland, Sweden, the UK and the USA.

Markets and customers

Trelleborg Sealing Solutions provides global coverage, focusing on Europe, the US and Asia. Most of the business area's products are marketed under the Busak+Shamban brand. Customers are leading players in their particular business segments, and include Liebherr, Husky, the Bosch Rexroth Group, Tetra Pak, Westfalia, ABB, Rolls Royce and Volvo Construction Equipment. Customers in the automotive segment are primarily sub-suppliers.

Significant trends

The market for seals for industrial applications is influenced by a variety of factors. The trend in overall industrial output impacts on the business area's progress, as does growth in the durable goods industry. The aerospace industry segment is influenced by the trends in commercial and military aviation.

A key factor is that customers are increasingly seeking total solutions, while also attempting to reduce the supplier base. As a result, suppliers such as Trelleborg must offer holistic solutions.

Seals often have safety-critical functions, leading to rising demand for durable and reliable products. In pace

with increasingly advanced technical equipment being brought into service in various areas, there is greater demand for products that cope with extreme temperatures and pressures, that can withstand more aggressive media, or which have other specific functional characteristics. Seals also have to comply with environmental legislation. Due to these increasingly stringent and complex quality requirements, the number of suppliers able to offer solutions continuously decreases.

Strategic priorities

- Replication of proven European business model in the US and Asia.
- Continued focus on key customers and review of the customer base.
- Improved Supply Chain Management and Customer Relationship Management.
- More products sourced from low-cost areas.
- Selective acquisitions in the Americas and Asia.
- Enhanced brand recognition globally.

Three business segments:

Industrial applications: Advanced sealing solutions in specialty materials for a range of industrial applications. The largest product groups are O-rings, V-rings, rotary seals, hydraulic seals and washers. The market for polymer industrial seals in Europe and North America is estimated to amount to SEK 18 billion annually.

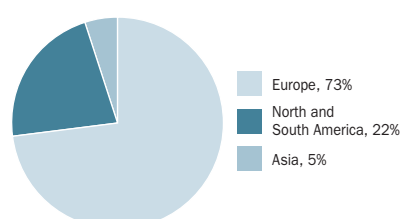
Automotive: High performance, security-critical seals to the automotive industry for application areas such as steering, fuel control, air conditioning, air induction and driveline systems. The market for polymer automotive seals in Europe and North America amounts to SEK 17 billion annually.

Aerospace: Trelleborg's aircraft seals are used in essentially all major commercial and military aircraft programs. Key application areas are engines, flight controls and actuators, landing gear, airframes, wheels and brakes. Sales of polymer seals to the aerospace industry account for about SEK 3 billion annually in Europe and North America.

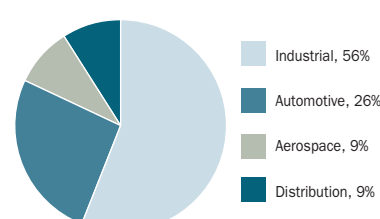
Position and competitors: Trelleborg is the market leader in seals for industrial applications in Europe. In seals for the aerospace industry, Trelleborg is the leading player in Europe and is ranked second in North America. Moreover, Trelleborg is the leader in certain niches for high-performance seals for the automotive industry.

Among competitors, Freudenberg, with its partner NOK, is a clear global leader in the market for polymer-based seals. Other international competitors include Parker Seals, SKF, Federal Mogul, Dana, and Hutchinson.

Net sales per geographic market



Net sales per business segment

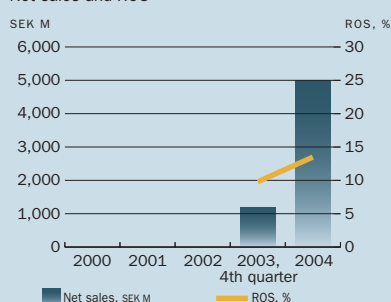


In Ashchurch, in the UK, Trelleborg has built Europe's first "clean room" for the production of heat and chemical resistant rubber seals that meet the stringent standards set by the micro-electronics, food and pharmaceuticals industries.

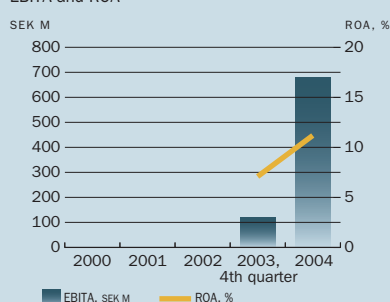


SUMMARY OF 2004

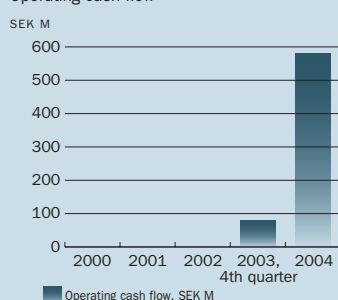
Net sales and ROS



EBITA and ROA



Operating cash flow



Sales and earnings

- Sales increased by to SEK 5,009 M. In comparable currencies/units, sales rose by 6 percent, for the 2004 full year, compared with 2003.
- Operating profit developed well, positively affected by an increased sales volume and restructuring and efficiency measures.
- The cash flow was strong.

Significant events

- Successful implementation of new organizational structure as of January 1, 2004.
- Acquisition of remaining 49 percent of Japanese supplier Eika Corporation.
- Opening of new marketing and service centers in the US.
- Establishment of US logistics center – moving towards the European business model.
- Asian headquarters established in Singapore.
- Closure of Milford Haven plant and start of closure process of Ross-on-Wye plant in the UK.
- Significant reorganization of elastomer facilities, including transfer of production to countries with lower cost levels.
- Transfer or sale of non-seals businesses – increased focus on polymer seals and bearings.
- 36 major integration and restructuring projects either completed or proceeding to plan.
- European delivery precision improved by 7 percentage points since the end of 2003.

Key figures

	2004	2003, 4th quarter
Net sales, SEK M	5,009	1,194
Share of Group net sales, %	21.5	6.5
EBITA, SEK M	678	118
Operating margin, % (ROS)	13.5	9.8
Operating profit, SEK M	445	61
Capital employed, SEK M	5,892	5,983
Return on capital employed, % (ROA)	11.2	7.1
Investments in fixed assets, SEK M	224	34
Operating cash flow, SEK M	579	80
Average number of employees	5,708	1,478

The year 2004

Market development

Over a full economic cycle, the polymer seals market tracks industrial production levels. For 2004, global industrial output has significantly increased compared to 2003. In Europe an upturn was affirmed although the region is heavily dependent on exports. Eastern Europe continued its strong growth as did the Asia Pacific region, which benefited in particular from rapid production growth in China and economic recovery in Japan. The US market was also strong, but showed signs of a slowdown at the end of the year.

Growth

Most of Trelleborg Sealing Solutions' sales are generated in Europe. The target is to increase the share of sales from Asia and the Americas and, as a result, significant investments have been made in infrastructure within these marketing units during the year. This has involved opening a new marketing office in the US and increasing the workforce. In Asia, the workforce has also increased significantly within the framework of the existing ten marketing offices.

Sales in North America have grown by slightly more than 3 percent and in Asia by slightly more than 32 percent compared with 2003. In the buoyant economies of Southeast Asia and Central Europe, growth is driven by customers becoming more demanding in terms of technology and quality and therefore more likely to choose a full-service supplier.

In addition, a number of the business area's customers are relocating to areas where Trelleborg Sealing Solutions' existing presence enables it to expand its market share in pace with such transfers. Considerable investment in creating an industry-leading distribution system has raised the level of service and facilitated continued favorable development in Europe.

Product development

Trelleborg Sealing Solutions has more than 300 employees working with technical development and support. The business area has a wide customer base, with more

than 20,000 customers, and low average product unit costs. Consequently, a market-controlled method is required to segment customers and markets to offer the most suitable and cost-effective products and services. The business area offers its customers total sealing solutions that may encompass product design, materials development, customized logistics, specialized manufacturing and sourcing from external partners. By offering solutions to complex sealing problems, the business area continually secures and expands its market shares. A number of significant products were launched in 2004, including:

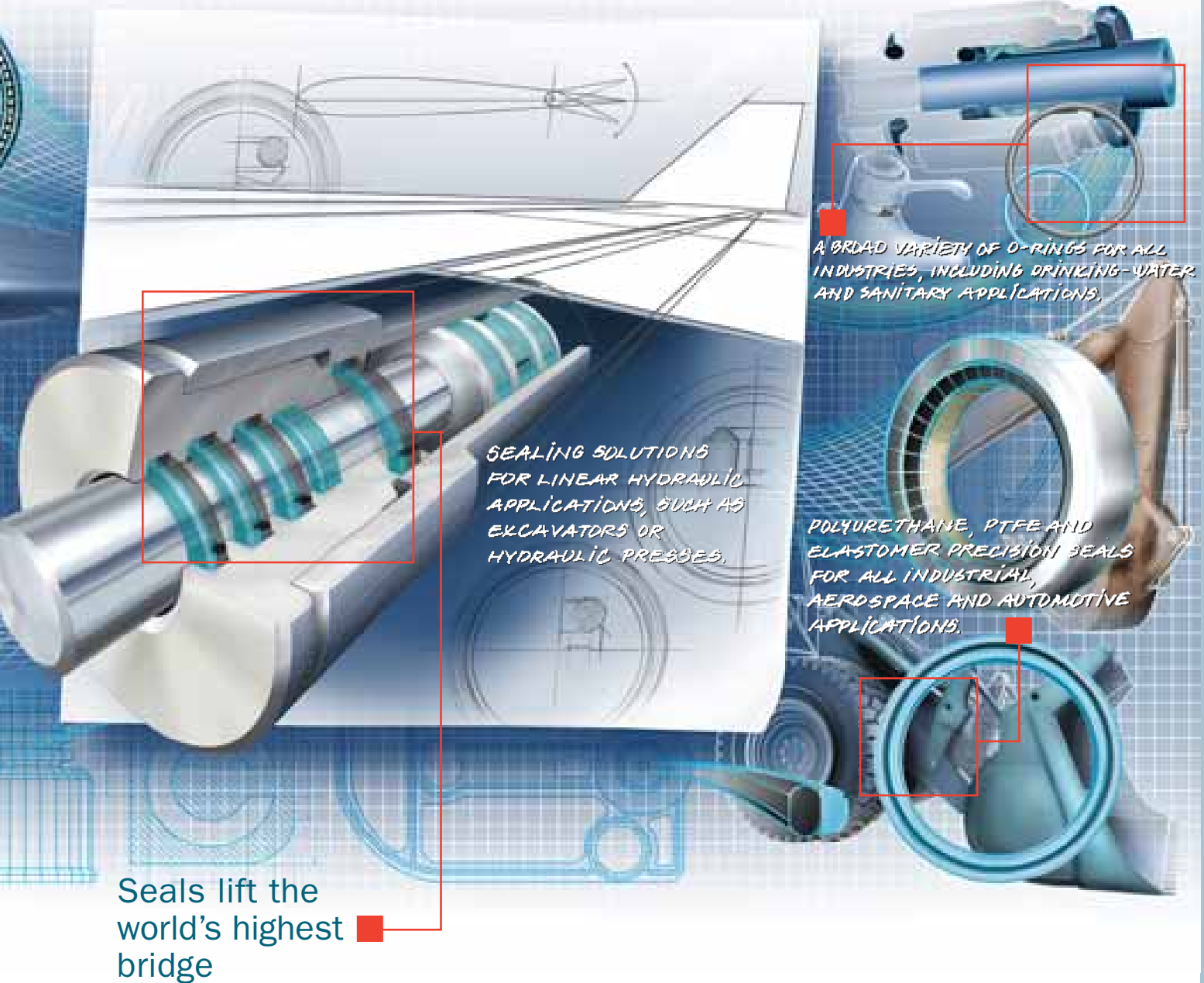
- Research and development activities in the UK including the design and development of a number of wing seals for the Airbus A380.
- A new, low-temperature fluoroelastomer for aerospace fuel-systems was launched in July 2004.
- In Germany, a successful development process resulted in the new the Zurcon Roto Glydring®S, a polyurethane seal for pressures up to 500 bar for demanding applications in excavators, mobile cranes and tool machines.
- The business area also successfully completed development and began series production of its new common rail sealing solution for fuel-injection applications.

Efficiency improvements

Measures focused on restructuring and relocation as well as best-practice activities. During the year, integration measures affected profits positively by approximately SEK 60 M. A certain amount of production was transferred to low-cost countries (Central Europe, India and Brazil), with two associated unit closures taking place in the UK. The plant in Milford Haven was closed and the unit sold during the fourth quarter of 2004. The process of closing the unit in Ross on Wye has commenced.



The business area's production units have established regular benchmarking and best-practice activities at all levels, resulting in substantial operational improvements, including more efficient production methods to offset materials and wage inflation. In mature markets, efforts were stepped-up to find capable, cost competitive third party suppliers to extend the life of these products and applications.



The highest bridge in the world, the new Millau Viaduct, carries traffic on the E11 highway between Paris and Barcelona. Reliability and Safety were of the utmost concern as the project involved working with sections weighing 36,000 metric tons and at heights of up to 336.4 meters.

Advanced hydraulic systems, provided by a specialist in construction hydraulics, were needed to lift and push the 27.35-meter wide decks of this new six-lane highway onto its concrete piers. Each system incorporates a cylinder with a lifting capacity of 250 tons. A total of 388 cylinders were used, each fitted with sealing systems from Trelleborg, designed to withstand the massive demands of the application and operating pressures of up to 700 bar. Leak-free sealing and resistance to abrasive materials were essential to achieve optimum performance in the hydraulic systems. Development engineers from Trelleborg collaborated with the customer's center of excellence in construction to design individual systems incorporating combinations of between four and fourteen sealing elements to suit bore diameters of 145 mm to 305 mm and rod diameters of 70 mm to 220 mm. Depending on the varying requirements of the cylinders, the systems included different materials to optimize properties such as friction and strength, as well as wear and chemical resistance.

Business area
President
Peter Nilsson



Trelleborg Engineered Systems is a leading global supplier of industrial fluid systems and engineered solutions that focus on the protection and safety of investments, processes and individuals in demanding environments.

The head office is located in Trelleborg, Sweden.

Production units are located in Australia, Canada, France, Germany, the Netherlands, Norway, Singapore, Spain, Sweden, the UK and the US.

The business area has a distribution organization for industrial supplies in North America.

Markets and customers

The business area's sales in industrial fluid systems are global, but concentrate on Europe and North America. Key customers include companies active in the offshore oil and gas, food, chemicals and beverages industries and large distributors of industrial supplies.

Trelleborg is globally active within Engineered Systems. Key customers are the different players in the infrastructure construction and offshore oil and gas industries.

Significant trends

Industrial Fluid Systems is active in a mature market, with growth that follows the trend in industrial production. The structure of the European sector is fragmented, with a large number of players. A slow process of consolidation is underway, in which Trelleborg, as European market leader, is taking an active part.

The market for Trelleborg Engineered Solutions moves in pace with investments in infrastructure construction and developments in the offshore oil and gas industry. The business area is benefiting from an increase in offshore oil and gas extraction in different geographic markets. Demand is expected to remain positive in the future. Infrastructure construction

investments are also growing in many parts of the world. Urbanization is stimulating demand for bridges and tunnels, for example. Modern high-speed trains require a greater degree of damping materials. Demand for marine fenders is increasing in pace with the increase in large international cargo vessels and new harbors.

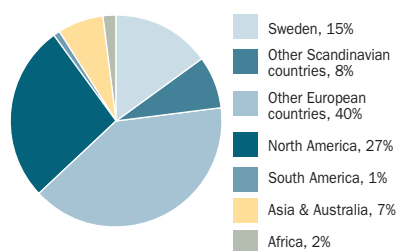
Competition within many Engineered Solutions segments is global and tender offers for projects are made in the face of tough international competition.

Increasing performance demands are driving the market toward more sophisticated products and solutions. To an increasing extent, customers are demanding total solutions, meaning delivery of entire systems rather than individual products. Trelleborg is striving to achieve a leadership position in this trend and is focusing its product range to enhance content value within certain selected segments. At the same time, it is withdrawing from segments in which future prospects are not deemed to be as favorable.

Strategic priorities

- Increased presence in growth markets.
- Continued optimization of product portfolio within Industrial Fluid Systems.
- Continued ongoing efficiency improvements in production, primarily in high-cost countries.
- Focus on applications know-how and total customer solutions.
- Increased outsourcing within selected areas.
- Proactive search for complementary acquisitions.

Net sales per geographic market



Two business segments:

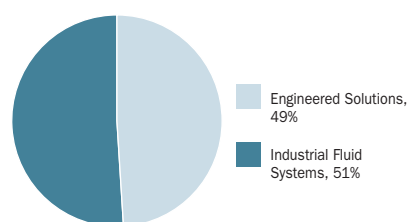
Industrial Fluid Systems: Reliable industrial fluid systems, such as hose systems and elastomer laminates in polymer materials for advanced applications. Properties demanded by customers range from fire and chemical-resistance within offshore oil and gas environments to products that are completely free of odor and taste for the food industry.

Position and competitors: The market leader in Europe and one of the leaders in the US and Canada within industrial hose, marine hose systems and elastomer laminates. Primary competitors are Semperit, ITR/Parker Hannifin, Alfagomma, Hutchinson, IVG, Goodyear, Contitech and Phoenix.

Engineered Solutions: Specialized solutions for infrastructure construction projects, such as fender systems for harbors, tunnel seals, dredging systems, acoustic and vibration-damping solutions for railways, bridges and buildings, niche products for offshore oil and gas extraction, and other specialty products. Within the protective products area, Trelleborg supplies protective clothing for personnel and applications for passive firefighting on oil rigs. The segment also includes production of polymer components focused on several selected industrial segments.

Position and competitors: Trelleborg is a world leader within marine fender systems, tunnel seals, dredging systems and protective clothing. Leading regional positions are also held within bridge bearings, bridge expansion joints and several niches within the offshore oil and gas sectors. Competitors in the infrastructure construction products area include: Bridgestone, Sumitomo and Phoenix; in offshore, oil and gas: Shaw Industries, CRP and other companies within specialist niche areas; and in protective clothing: DuPont, Lakeland and Dräger.

Net sales per business segment

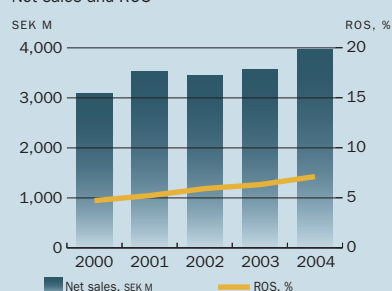


At the Mjøndalen test center in Norway, advanced engineering expertise is used to develop new materials to protect oil platforms from fires, and to thermally insulate oil pipelines at depths of several thousand meters.

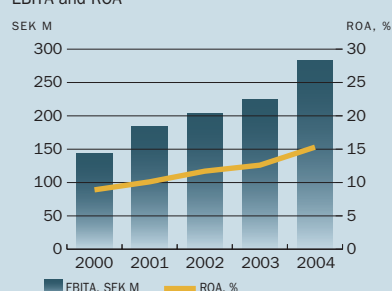


SUMMARY OF 2004

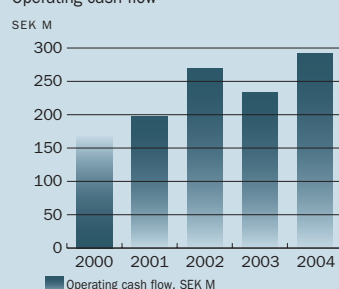
Net sales and ROS



EBITA and ROA



Operating cash flow



Sales and earnings

- Sales increased to SEK 3,961 M. For comparable currencies/units, sales rose by 4 percent. The sales increase for project-related operations has been stable. Deliveries to OEMs rose.
- Operating profit rose as a result of a better product mix, positive effects of long-term efficiency improvements, structural changes and successful market development.
- Cash flow continued to develop positively.

Significant events

- Several major project orders, mainly in the offshore oil and gas extraction sector, including:
 - flexible fire-resistant pipe seals for oil platforms off the east coast of Siberia.
 - oil hose for customers in Dubai and Algeria.
 - noise-reduction solutions for railways in Hong Kong and Taiwan.
- High priority continued to be assigned to optimizing the product portfolio within the Industrial Fluid Systems segment.
- Acquisition of the Dynaflex division from Manuli Sonatra SA.
- Acquisition of American Ecoboard Inc.
- Organizational changes made in conjunction with the formation of Trelleborg Sealing Solutions contributed about 330 new employees to Trelleborg Engineered Systems since January 1, 2004.
- A new business unit, Moulded Components, was created within Engineered Solutions. To extract synergies, units producing polymer components for selected industrial segments have been coordinated.
- The focus on marine fender systems was increased as a result of the continued strong trend within this area.
- Marketing activities were intensified and the number of sales offices increased within several units.

Key figures	2004	2003
Net sales, SEK M	3,961	3,564
Share of Group net sales, %	17.0	19.5
EBITA, SEK M	283	224
Operating margin, % (ROS)	7.1	6.3
Operating profit, excluding restructuring costs/ impairment losses, SEK M	250	200
Operating profit, including restructuring costs/ impairment losses, SEK M	147	200
Capital employed, SEK M	1,722	1,871
Return on capital employed, % (ROA)	15.3	12.6
Investments in fixed assets, SEK M	104	91
Operating cash flow, SEK M	292	234
Average number of employees	3,204	2,978

The year 2004

Market trends

Demand in the market for industrial supplies, which tends to follow the general trend of industrial production, was relatively stable in Europe and North America.

The market for Trelleborg's project-related products was also stable but access to projects varied between different sectors, geographic markets and over time. Demand for products used in the offshore oil and gas extraction sectors remained favorable, as new oil and gas fields were developed and new technologies introduced.

Growth

Several markets offer good development potential within offshore oil and gas, including Asia, South America and West Africa. During the year, the business area strengthened its position in Asia and also increased its sales of niche products within offshore oil and gas.

Growth within Industrial Fluid Systems is driven through measures to increase focus, develop new areas of application and strengthen positions in selected segments. This focus has been successful and substantial sales growth has been achieved during the year in selected segments, such as applications in the food, chemicals and petrochemicals sectors.

A complementary acquisition was made within composite hoses, and this operation was merged with Unifluid Technologies SA, a company acquired in 2003. The new unit, Trelleborg Dynaflex, will become the market leader within composite hoses for the petrochemicals industry.

Sales of fender systems in North America, Scandinavia, the Middle East and parts of Asia developed positively. Market efforts have been intensified with expanded sales resources in Scandinavia, the Middle East and Asia.

Within fender operations, a complementary acquisition of the assets in American Ecoboard Inc. was made. Deliveries during the year to truck and construction machinery OEMs showed a favorable development.

Product development

With its engineering know-how and problem-solving expertise, Trelleborg makes an early contribution to the design, planning and construction stages of major projects that extend over long periods. Today, the development of new products is undertaken increasingly in partnership with customers. In certain areas, such as marine fender systems and flexible fire-protection solutions, the business area is the global leader in terms of technology and development.

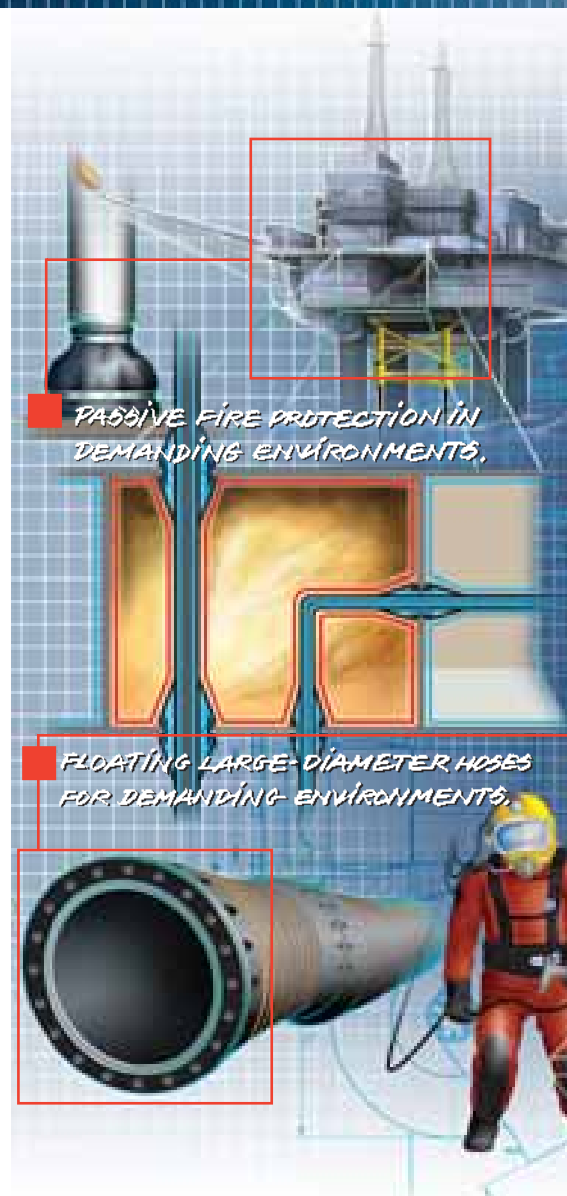
An example of a specially designed solution within the offshore oil and gas segment is the flexible fire-resistant pipe-insertion seals developed for an oil and gas extraction project off the coast of eastern Siberia. The solution is designed to withstand the extremely demanding climate, environment and seismic movements.

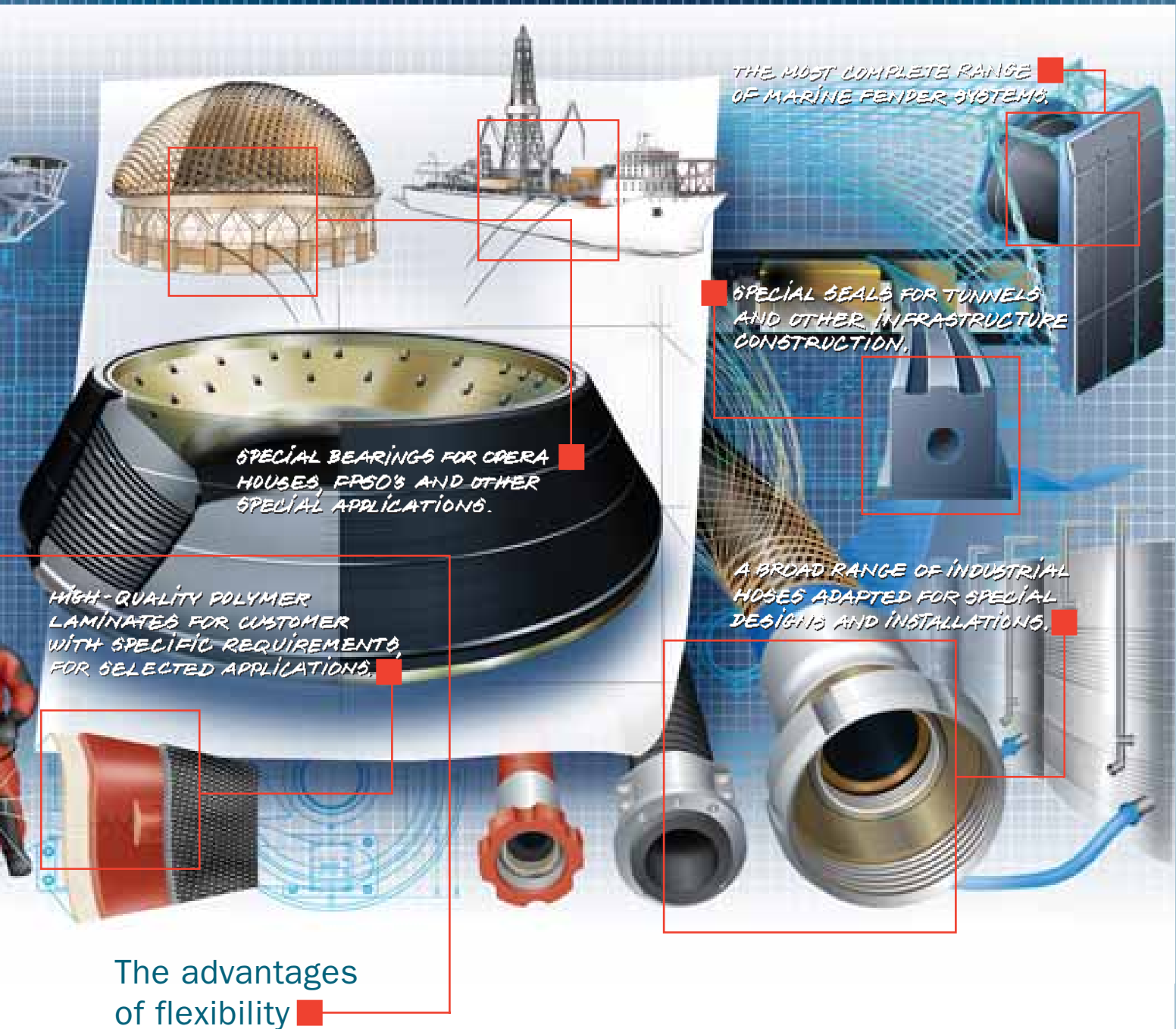
The unique Trelleborg concept for handling oil in offshore oil and gas environments underwent successful further development, with new applications creating substantial future sales potential.

Efficiency improvements

During the year, the business area's efficiency-enhancement measures focused mainly on:

- Cost-effective production through relocation of selected areas to countries with cost advantages.
- Rationalization of product portfolios within Industrial Fluid Systems. The portfolios were optimized by focusing on selected segments.
- Increased share of products purchased from strategic partners in low-cost countries rather than in-house production.
- The casting operations located in Forsheda and Mörbylånga were coordinated with the business area's corresponding operations in Örebro and Trelleborg, and on Gotland.
- Impairment losses and restructuring provisions were recognized as a result of measures related to operations in the town of Trelleborg, including those affecting mixing operations.





Extracting oil at a depth of 3,000 meters is complicated and makes significant demands on equipment. This especially applies to transporting the oil from the source, a process that is often achieved using steel pipes on the seabed that transport the oil to CALM buoys, from where the oil can be safely pumped to oil tankers, often in harsh climate conditions.

Following two years of development and certification work, Trelleborg Engineered Systems has designed Trelline, a more modern solution comprising an immersible hose built in 12-meter sections with diameters of up to 800 millimeters. Since the couplings lack traditional flanges, the hose can be wound onto a reel with capacity for several hundred meters of hose and then laid out using a normal vessel. Trelline can then be installed so that it floats at a depth of 200-300 meters, in contrast to metal pipelines, which are best installed on the seabed. Together with the simple splicing function, this facilitates installation and maintenance and reduces costs. The concept also has the other general advantages of elastomers. Lower weight and flexibility enable the hose to move in tune with the pressure of the sea and wave motion, which in turn reduces the risk of environmental damage and costly interruptions. Trelleborg is the only company in the world to offer this unique product.



Trelleborg Wheel Systems is a leading global supplier of tires and complete wheel systems for farm and forest machines, lift trucks and other materials-handling vehicles.

The head office is located in Rome, Italy. Production units are located in Denmark, Italy, Sri Lanka, Sweden and the US.

Markets and customers

Trelleborg's principal markets are the large European agricultural markets and the Nordic forestry markets. Progress has been made in entering the markets in North and South America, Eastern Europe, South Africa, and the Asia-Pacific region. Customers are primarily manufacturers of farm and forestry machinery, as well as importers and distributors of such equipment, through whom customers in the important aftermarket are reached.

In the market for industrial tires, competition is fierce and involves a large number of players. The need for advanced technology decreases the number of key competitors and facilitates more favorable pricing. A large part of the industrial tire market comprises solid rubber tires. Principal customers are original manufacturers and distributors of fork-lift trucks, transport companies, and authorities and organizations responsible for infrastructure.

Significant trends

Although the European agricultural and forestry markets are mature, demand for efficient equipment, vehicles and large and high-grade tires is increasing in parallel with demands for cost-effective production.

A global process of structural rationalization is under way with manufacturers and distributors being integrated. The trend is for agricultural operations to merge, forming larger units using larger tractors and consequently larger tires.

At the same time as machines are

required to drive at increasingly high speeds on the roads, their tires should not harm the soil or forest vegetation. With its tire dimensions and radial tires, Trelleborg has successfully reduced the soil damage caused by heavy equipment. Growth in the farming and forestry sectors primarily involves radial tires, a segment in which Trelleborg Wheel Systems holds a strong position with the brand PIRELLI* Agricultural Tires acting as a pioneer in the technological shift that has been taking place over the past 20 years, involving a transition from cross-ply to radial tires. The proportion of radial tires in Europe is now approximately 75 percent, with Trelleborg Wheel Systems as one of the leading companies. It is estimated that the market for cross-ply tires is diminishing at a rate of 8-10 percent annually.

The market for industrial tires is mature and developing in line with the general industrial trend. Efforts to reduce the amount of capital tied up in companies are driving the trend to rationalize and decrease inventories, which is making the efficient handling of materials increasingly important. This is creating a long-term growing demand for solid industrial tires for various materials-handling machines.

Strategic priorities

- Increased product development to create a faster flow of products to market.
- Increased presence in emerging high-growth markets (such as Eastern Europe and Southeast Asia)
- Intensified focus on asset management, cost-reduction measures, product mix and price increases to offset pressure from costs for input materials.
- Continued optimization of production organization and localization.
- Intensified efforts in the market for replacement tires in the US.

Two business segments:

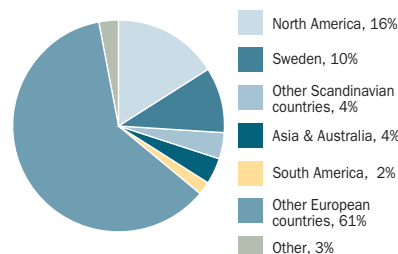
Agricultural & Forest Tires: Tires and wheel systems for tractors and other utility vehicles used in agriculture and forestry. The business area holds a prominent position in the segment for large-dimension quality tires, of which Trelleborg has a comprehensive range. Important brands are Trelleborg® and PIRELLI® (under license for agricultural tires only). The global market for farm and forestry tires is estimated at SEK 24 billion annually, of which SEK 10 billion is in Europe. Replacement tires represent about 70 percent of the market.

Position and competitors: During the year, Trelleborg consolidated its position as the second largest player in the European agricultural market. Competitors in the market for agricultural tires are Michelin, Goodyear, Continental and Firestone. In the forestry segment, the main competitors are Nokian and Firestone.

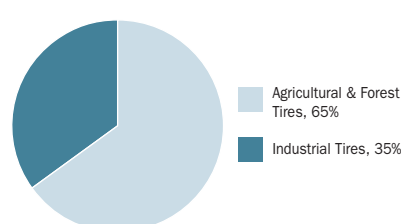
Industrial Tires: Tires and complete wheel solutions for material-handling and transport vehicles used at facilities such as ports and airports, for example, fork-lift trucks and other highly utilized materials-handling vehicles. Important brands are Trelleborg®, Bergougnan®, Monarch®, Rota®, Mastersolid® and Orca. The market for tires for fork-lift trucks amounts to approximately SEK 3 billion, of which replacement tires represent about 70 percent.

Position and competitors: Trelleborg is the world leader in solid industrial tires. Principal global competitors in the area are Solideal, Continental, MITL, Aichi and Watts.

Net sales per geographic market



Net sales per business segment



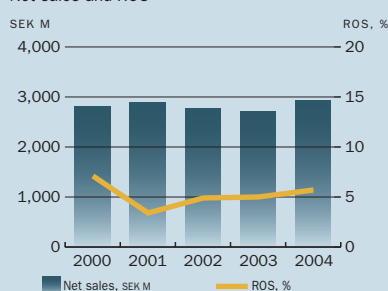
*) For which Trelleborg has a licence for Agricultural Tires.

At the development center in Tivoli, Italy, agricultural tires are developed and tested to meet customers' stringent requirements on reduced ground pressure and favorable road comfort.

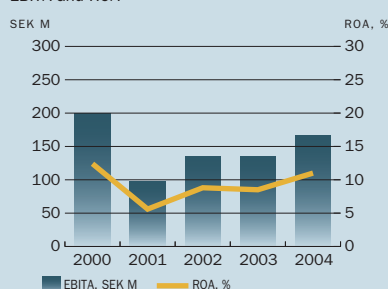


SUMMARY OF 2004

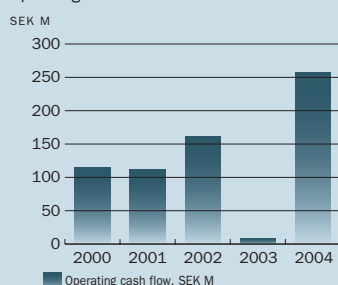
Net sales and ROS



EBITA and ROA



Operating cash flow



Sales and earnings

- Sales increased to SEK 2,933 M. For comparable currencies/units, sales rose by 10 percent. Sales were up in both business segments, primarily due to improved market conditions.
- Operating profit rose, primarily driven by increased sales volumes, with gradually improved price levels combined with improved cost efficiency offsetting increased material costs.
- Cash flow improved due to increased profitability and improved asset management.

Significant events

- Decision to close the unit in the town of Trelleborg producing cross-ply agricultural and forestry tires. Production to be transferred to existing and new outsourcing partners.
- The global supply agreement with Nacco Material Handling Group, fully in effect from mid-2003, will have additional favorable impact during 2004, driven by a stronger than expected market for forklift trucks in both Europe and the Americas.
- Strong sales trend in markets outside Europe and North America, such as South America, South Africa, Southeast Asia and Eastern Europe.
- Prices for natural and synthetic rubber increased dramatically. Gradually and successfully, this negative impact was offset by a combination of price increases, cost-reduction measures and a focus on the business area's product mix.
- In line with increased sales and demand, the capacity utilization of the manufacturing units has gradually increased during the second part of the year.

Key figures

	2004	2003
Net sales, SEK M	2,933	2,704
Share of Group net sales, %	12.6	14.8
EBITA, SEK M	167	135
Operating margin, % (ROS)	5.7	5.0
Operating profit, excluding restructuring costs/ impairment losses, SEK M	151	119
Operating profit, including restructuring costs/ impairment losses, SEK M	-49	119
Capital employed, SEK M	1,306	1,559
Return on capital employed, % (ROA)	11.0	8.5
Investments in fixed assets, SEK M	71	113
Operating cash flow, SEK M	257	9
Average number of employees	2,064	2,118

The year 2004

Market development

Demand for agricultural radial tires in the replacement market in Europe gradually increased from a downturn that began in mid-2003. The market for cross-ply tires continued to diminish, confirming the technology shift and the transfer towards low-cost manufacturing. In Europe, sales of tractors and agricultural machines, and consequently tires, improved during the second half of the year, but remained near 2003 levels, mainly as a result of lower farm income.

In North America, the market for agricultural tires has outperformed 2003 levels, driven by record-level farm incomes.

The market for industrial tires in Europe, which is affected by general industrial production, improved and returned to normalized levels by the second part of 2004. In North America, the market for industrial tires developed more strongly than expected, although not returning to the levels recorded before the downturn. The replacement market also gradually improved during the year.

Growth

In Europe, Trelleborg Wheel Systems showed strong sales development for agricultural radial tires, reflecting an improvement in market conditions but also an increased market share. Due to market activities and sales-support measures, such as reward programs, end-user meetings and object campaigns, the business area has strengthened its market position and captured new market shares in all distribution channels.

Sales of industrial tires was above that for the market in general in both Europe and the US, driven by strong OE sales and gradual improvements in after-market sales. The global supplier agreement with the Nacco Material Handling Group (NMGH), which involves delivery of industrial tires to NMGH units throughout Europe, developed favorably.

In geographic markets outside North America and Western Europe, sales continued to grow strongly. Trelleborg is investing to further extend its

market coverage for all products in Eastern Europe, South America, Southeast Asia and Australia.

Product development

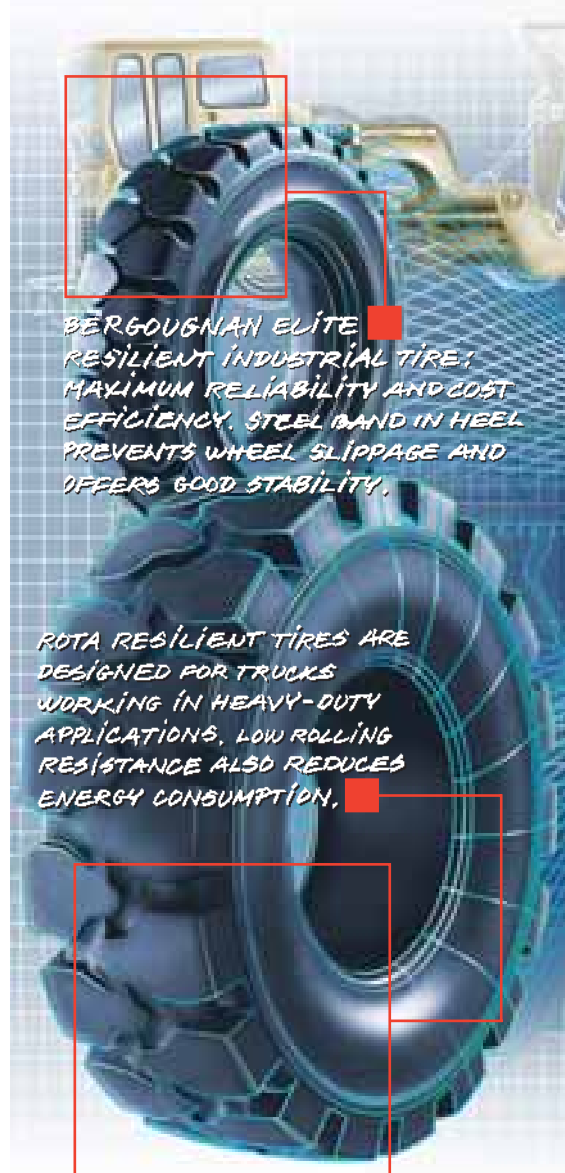
The development of radial agricultural tires, cross-ply forestry tires and solid industrial tires was intensified, in order to increase the rollout of new products from the second half of 2005 and onwards.

The development of agricultural and forestry tires is a response to increasingly stringent market requirements. Prioritized specification requirements include tires that can cope with high speeds, assure a comfortable ride, and which are safe, durable and environmentally compatible. These tires are developed at Trelleborg Wheel Systems' development center in Italy, in close collaboration with leading manufacturers.

The business area also develops a number of special industrial tires for various applications. An example of this was the successful completion of a redesigned tire and wheel assembly for one of the business area's largest customers in the aerial lift industry, JLG in the US. The tire system is used for their platform lifts. Product development was accomplished utilizing Trelleborg's advanced process technology.

Efficiency improvements

The decision to discontinue cross-ply tire production in the town of Trelleborg and transfer production to sub-suppliers and Group facilities in Sri Lanka will be implemented during 2005. This will also increase the focus on radial alternatives, entailing increased production at the Tivoli unit in Italy. Production in Trelleborg is expected to continue until the end of 2005. The decision to discontinue tire production will also affect mixing, inventory management and administrative support functions at the Trelleborg location. In total, approximately 200 jobs will be affected.




BÉRGOUNGAN ELITE
RESILIENT INDUSTRIAL TIRE,
MAXIMUM RELIABILITY AND COST
EFFICIENCY. STEEL BAND IN HEEL
PREVENTS WHEEL SLIPPAGE AND
OFFERS GOOD STABILITY.

ROTA RESILIENT TIRES ARE
DESIGNED FOR TRUCKS
WORKING IN HEAVY-DUTY
APPLICATIONS. LOW ROLLING
RESISTANCE ALSO REDUCES
ENERGY CONSUMPTION.



TM 900 HP: FOR HIGH POWERED TRACTORS AND GREAT TRACTION ON ALL KIND OF SOILS. EXCELLENT SELF CLEANING AND COMFORT ON THE ROAD.

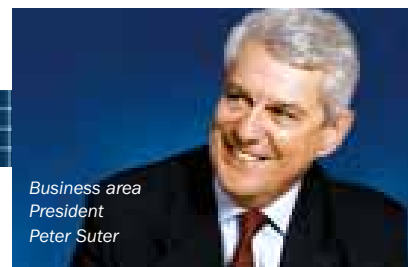
TWIN 404: STABLE AGRICULTURAL TIRE FOR HEAVY MACHINES WITH IMPROVED FLOTATION AND TRACTION WITHOUT DAMAGING THE SOIL STRUCTURE.

Productivity  worth its price



Well treated soil produces richer harvests. Consequently, it is important that agricultural tires do not pack the soil. This is an aspect Trelleborg Wheel Systems has taken into account in its development process. Today, tires are also designed with comfort in mind, since many tractors are now driven considerable distances on roads. Other characteristics Trelleborg builds into its tire solutions include safety, stability and fuel efficiency.

These cost-saving and productivity-enhancing factors, combined with long-lasting quality make products from Trelleborg Wheel Systems the obvious choice for the most demanding customers.



Trelleborg Building Systems is a leading supplier of polymer and bitumen-based building products for sealing and waterproofing applications in industrial and consumer markets.

The head office is located in Trelleborg, Sweden.

Production units are located in Denmark, Finland, Poland, Spain, the UK, Sweden and Germany.

Markets and customers

The business area's sales of industrial profiles are conducted throughout Europe, with the emphasis on the Nordic countries, the UK and Central Europe. Key customers include window manufacturers and construction industry companies, such as Schüco, Sapa and Velfac.

Sealing strips are sold globally to end-consumers via retail stores and building materials suppliers. Customers are mainly distributors, such as Tesa (Europe) and Frostking (North America).

Polymer-based waterproofing products are sold throughout Europe, while the bitumen-based products are sold chiefly in the Nordic region and the Baltic States. The consumer segment is reached through distributors, such as Coop, Dansk Træløst and Scandek.

Within pipe seals, key customers include Saint Gobain and Hepworth.

Significant trends

In parallel with the building market becoming increasingly international, demands for local presence and rapid deliveries are central to achieving leading positions. With production established in the most important markets and an extensive distribution network, Trelleborg occupies a strong position.

In recent years, much of the European market has been marked by low demand. Demand has particularly declined in the important German market, which accounts for more than one quarter of

the European construction market. The Nordic markets have showed greater stability and an upward trend. The continued weak trend in Germany has led to price pressure, some overcapacity and continued consolidation. Trelleborg is taking an active part in the restructuring process.

Greater focus on energy savings is providing scope for advanced sealing profile solutions within the construction industry and consumer market.

Trelleborg Building Systems sales follow the seasonal fluctuations of the construction industry, with weaker first and fourth quarters.

Strategic priorities

- Strengthen positions within bitumen-based membranes in the Nordic region.
- Increase presence in growth markets, with priority on Central Europe, Russia and China.
- Strengthen presence in North America.
- Identify acquisition targets and strategic alliances to broaden markets and provide customers with added value.
- Expand market potential through continued focus on product development.
- Continue programs to raise efficiency, including relocation to countries offering cost advantages.
- Focus on a complete range through concentration of proprietary production and externally purchased products for resale.

Three business segments:

Sealing Profiles: Sealing products for the construction sector and other industries, and sealing strips for the consumer market. Key brands include ETM[®], Dipro[®] and Värnamo[®]. The industrial profiles market has an annual sales value of about SEK 6 billion in Europe.

Position and competitors: The European market leader and the only pan-European supplier. The product range for the consumer market has grown in recent years. Trelleborg has also successfully penetrated the North American market, where it has captured a leading position in the area of high-quality sealing profiles. Competitors include Sempert, Schlegel and Iseogomma.

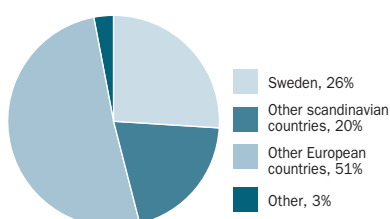
Waterproofing Systems: Bitumen and rubber-based products for waterproofing and protection applications in the construction and civil engineering sectors. Trelleborg's membranes for waterproofing and protection applications are used in reservoir, landfill and bridge-protection environments. Within waterproofing and moisture protection for buildings, the business area has strong brands in Matak[®], Trebolit[®] and Phønix Tag[®].

Position and competitors: Within certain polymer-based sealing products, such as rubber sheeting (membranes) for waterproof covering applications, Trelleborg is the European leader. The main competitors for rubber sheeting are Phoenix AG, Saarnova and Firestone. Within bitumen-based waterproofing, the company is the second-largest player in the Nordic region, the market leader in Sweden and holds strong positions in Denmark and Finland. The main competitor is Icopal.

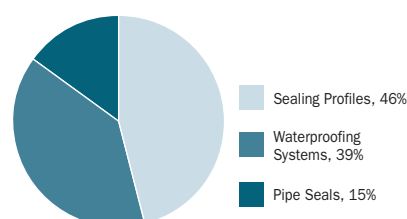
Pipe Seals: Sealing systems for concrete and plastic pipes, a complete product portfolio for concrete, plastic and steel pipe producers. Trelleborg is active in the European market, which has total annual sales of around SEK 1.5 billion.

Position and competitors: The European market leader in the pipe seals sector. Competitors include DS Dichtungstechnik and Cordes in the concrete pipe seals area and Bode and MOL in the plastic pipe seals area.

Net sales per geographic market



Net sales per business segment

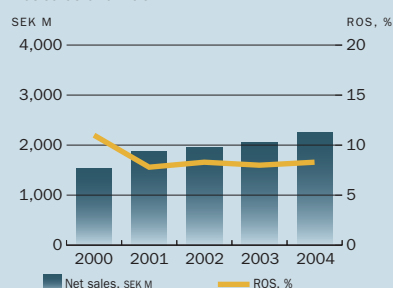


New sealing strips are developed and tested at the development center in Höganäs to meet customers' sealing and protection requirements.

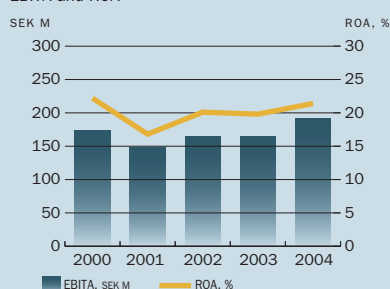


SUMMARY OF 2004

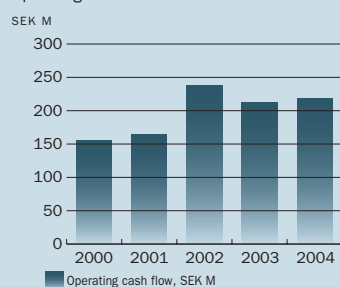
Net sales and ROS



EBITA and ROA



Operating cash flow



Sales and earnings

- Sales increased to SEK 2,257 m. For comparable currencies/units, sales rose by 2 percent. Reinforced and successful market processing offset the effects of the weak German market. Intensified and successful market drives compensated for a weak German market.
- Profit rose, being affected favourably by new innovations and improved efficiency, while an extensive restructuring program had a negative impact.
- Operating cash flow remained strong.

Significant events

- Investment in setting up operations in China and Central Europe.
- A new Pipe Seals business unit was included operationally in the business area from January 1, 2004.
- The Pipe Seals business segment was complemented with the acquisition of the Norwegian company BATEK, giving greater access to the growing Nordic aftermarket.
- New materials development technology center established in Forsheda.
- The mixing operations in Sweden were coordinated by relocating the mixing unit in Värnamo to Forsheda and Bor.
- Pipe Seals' injection-molding operations were relocated from Forsheda to a newly constructed modern unit in Bielsko Biala, Poland.
- More than half of the Danish roof contractor units were converted into a franchise-based organization.

Key figures

	2004	2003
Net sales, SEK M	2,257	2,053
Share of Group net sales, %	9.7	11.3
EBITA, SEK M	191	165
Operating margin, % (ROS)	8.3	8.0
Operating profit, SEK M	173	147
Capital employed, SEK M	840	872
Return on capital employed, % (ROA)	21.4	19.8
Investments in fixed assets, SEK M	55	53
Operating cash flow, SEK M	218	212
Average number of employees	1,453	1,286

The year 2004

Market trends

Both demand and the overall market trend in the Scandinavian countries have stabilized and are now showing an upward trend. The Western European market was relatively stable, the exception being Germany, which declined further.

The new EU countries in Central Europe have gradually begun to recover from a period of weaker development and have returned to a state of growth.

Growth

The business area focused on reinforcing its operations in Central Europe. The overall market organization and presence were strengthened in the area and will be developed further when industrial profile extrusion commences in Poland.

Trelleborg Building Systems increased its market presence in China through an agreement with a Shanghai-based distribution company within sealing profiles.

The Pipe Seals product area has been strengthened through the acquisition of BATEK of Norway, giving greater access to the growing aftersales market in the Nordic countries.

Developments have taken place within selected segments of industry through greater focus on new segments, such as ventilation.

Another interesting growth area is bitumen-based protective pipe wraps for oil and gas pipes. The business area has signed a framework agreement regarding delivery of bitumen-based products for high corrosion resistance of pipelines in the Norwegian "Ormen Lange" gas project, the world's longest underwater pipeline.

Product development

Products within sealing profiles for the industrial market are fully customized, with specially adapted properties to solve the specific needs of individual customers.

Overall, development work focuses on developing combinations of materials and embraces both process and materials development. A series of products based on multicomponent extrusion, thin layer

coating and new fixing systems were introduced during the year.

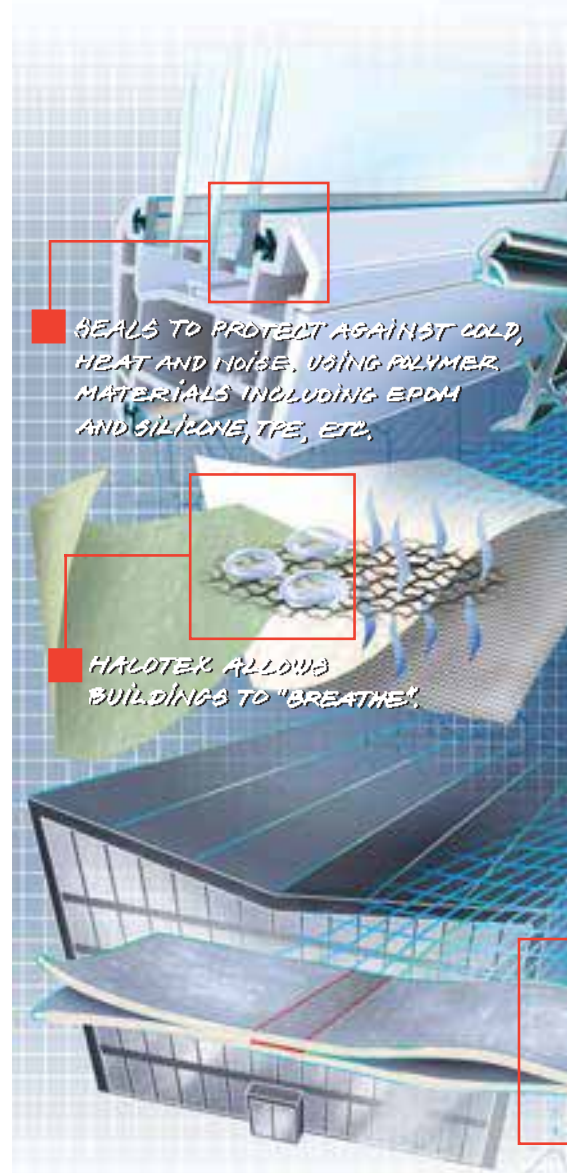
Within Waterproofing, Trelleborg is developing membrane products with a bitumen and polymer base. The development is function-based and the aim is to develop complete systems. An example of a successful product that is now gradually being launched in Europe is Elastofol®, a bitumen-based lightweight system for flat roofs that includes an electrical welding system.

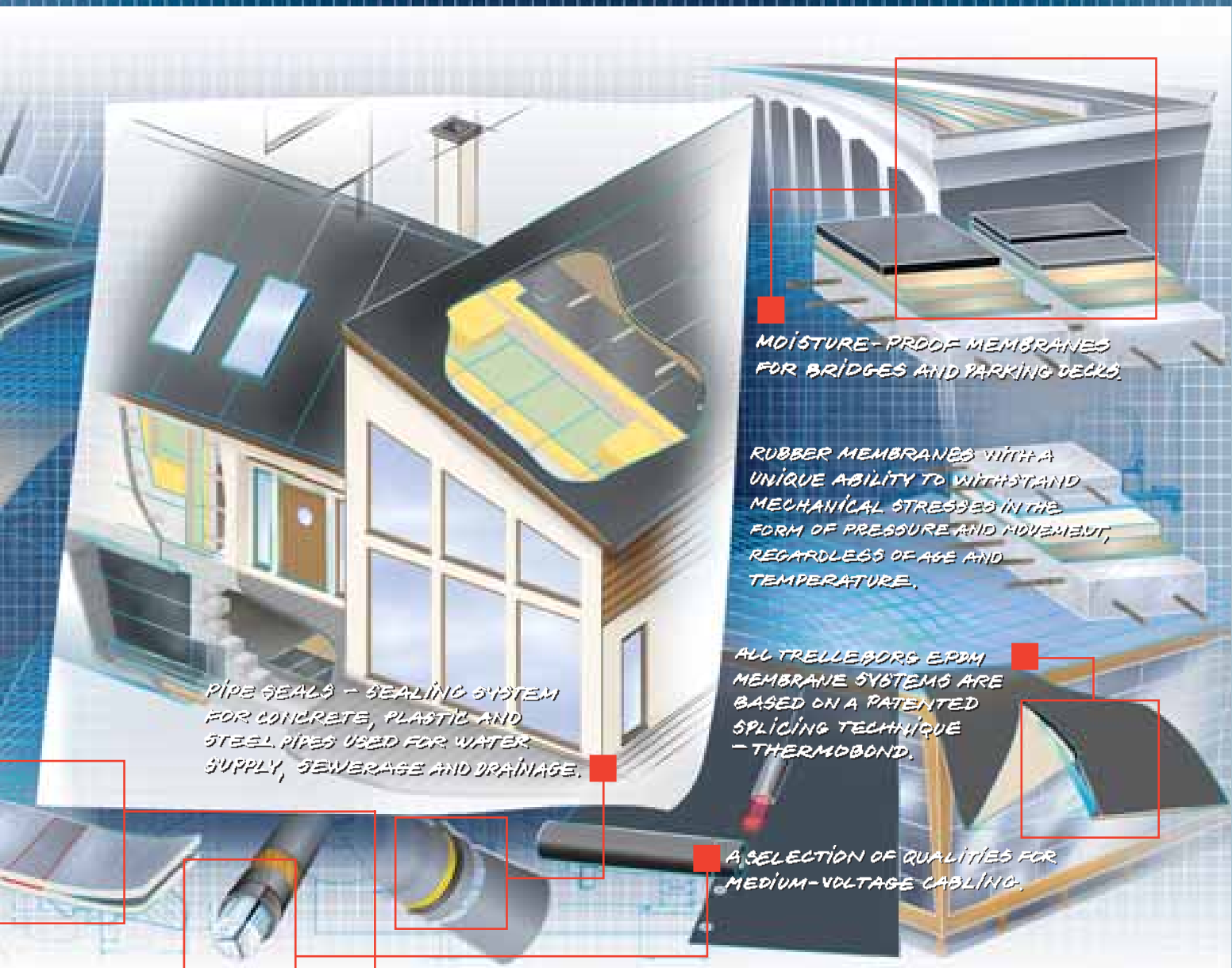
Elastoseal®, an EPDM membrane with a laminated exterior layer of TPO material, is another example of a product system for water storage and landfill lining that derives success through its combination of functional properties and jointing capability.

Another function-based system launched during the year is Halotex®, a polymer-based membrane system for sealing walls and roofs, while still allowing the building to "breathe".

Efficiency improvements

- Continuous rationalization measures generated considerable productivity gains. The Höganäs plant continued to report a productivity improvement of more than 10 percent.
- The production of injection-molded pipe seals was relocated from Forsheda to a new modern unit at Bielsko Biala in Poland. About 35 people were affected.
- The mixing unit in Värnamo was gradually closed and mixing operations concentrated in Forsheda and Bor.
- Concentration of extrusion in the UK to the Minworth plant. Gradual closure of the Telford plant (formerly DJ Profiles), affecting about 50 employees.
- Consumer profile extrusion was merged with industrial profiles. Finishing operations were partly relocated to Lithuania.
- Gradual closure of the finishing unit in Österbymo and transfer of the unit's operations to Bielsko Biala in Poland and to Rydaholm.





Reliable joints ■ protect public works



It is easy to understand the importance of sealing constructions such as tunnels, dams and landfills to avoid costly moisture and environmental damage and other problems. Rubber (EPDM) is a material with excellent sealing ability and many other favorable properties. The material is flexible and highly resistant to physical damage and other external factors such as UV radiation, wind and temperature. However, due to the difficulties involved in jointing rubber, customers have been referred to PVC-based materials with less favorable properties than rubber.

For use in dam constructions, landfills and tunnel projects, Trelleborg Building Systems has developed a range of rubber sheeting products with Thermobond Edge, an entirely new jointing technology that makes it significantly easier to create a reliable joint. The new technology combines the excellent sealing properties of rubber with the jointing properties of TPO-based materials.

The intelligent solutions of tomorrow

Research and development combined with in-depth applications know-how forms the hub of Trelleborg's operations. Welcome to a discussion between Stig Ottosson, professor of innovation management at Otto-von-Guericke Universität in Magdeburg, Germany and three of Trelleborg's innovation experts: John Badrinas, Dr Ulrich Frenzel, and Gert Smit, on the role of innovation in meeting the complex demands of the future

Stig Ottosson: First, let me start with Trelleborg's motto – damping, sealing and protecting in harsh environments. Trelleborg is a leading supplier of solutions that, for example, keep underwater tunnels dry or protect passengers in vehicles from noise, vibration and harshness. The group is also prominent in developing advanced seals to keep fluids, air, and so forth in the right place in machines with moving parts. Trelleborg is also a supplier of advanced industrial tires and sealing systems for homes and other buildings. What trends do you envisage in these three areas – damping, sealing and protecting? What demands will your customers impose in the future?

Gert Smit: We can see that demand in materials technology is increasing. Trelleborg has developed materials for the oil and offshore industry that can withstand more than 1,250°C for more than two hours. We are now looking for new applications for these materials outside the oil and offshore industry.

At the same time, increasing quantities of oil are extracted at depths reaching 2,000 and 3,000 meters, where it is quite cold. The oil must maintain at a temperature of at least 25°C or it will clog the pipes. This means that we must develop new materials that provide both favorable insulation

characteristics while being able to withstand deformation by the surrounding water at pressures of up to 300 bars.

Stig Ottosson: Can you give us a sense of what 300 bars of pressure involves?

Gert Smit: 300 bars of pressure is equal to 300 kilograms of pressure on every square centimeter. Taking just the area of a small coffee table, this would mean a load of many tons.

Ulrich Frenzel: For the new Mercedes S-Class we are developing seals that must withstand 2,400 bars. If you place a Rolls Royce on a EUR 0.01 coin, you have 2,400 bars of pressure on the coin! This reflects the fact that today's customers demand greater speed and higher pressure, higher temperature, cheaper and more precise solutions, less tolerances for the seal but larger tolerances for the other materials involved, more predict-

able products, and so forth. They also require all this with a shorter development phase. One example is a

growing interest in alternative uses of PTFE-based elastics, developed for the aerospace industry, which keep their form and other properties even under very high temperatures.

"We can see that demand in materials technology is increasing."



Discussion between Stig Ottosson (right) and three of Trelleborg's innovation experts on the role of innovation in meeting the complex demands of the future.

John Badrinas, head of Trelleborg Automotive Antivibration Systems Europe.



Gert Smit, business unit president, Trelleborg Engineered Products.



Stig Ottosson: What other forces do you envisage driving technological change?

John Badrinas: Environmental demands are definitely a major driving force in the automotive industry. Reduced emissions from

more powerful engines - how do you square this circle? I guess the jury will still be out for many years on whether new fuels for the combustion engine, which is favored by some American and European makers, or fuel-cell technology and hybrid engines, which appear to have the backing of the large Asian companies, will prevail. At Trelleborg, we will be monitoring this closely.

Stig Ottosson: What will fuel-cell technology mean for Trelleborg?

John Badrinas: It is possible, for example, that we see a fuel-cell engine placed at each wheel in the car. This will greatly increase and alter the demands on anti-vibration solutions. In combustion engines, we will see increased use of three-cylinder engines that have good fuel economy but which create problematic vibrations.

Ulrich Frenzel: In fact, as gasoline is replaced by other fuels, we will see a new society emerge, requiring new methods of transportation, new fill-

ing stations, new hoses, new systems within the car itself, and so on. All this will greatly benefit the development of

sealing and materials technologies. We are already developing seals for new gas-fuel filling systems.

John Badrinas: The fuel tank in a hydrogen-powered car must withstand 300 bars of pressure. That is really something!

Stig Ottosson: How you are you able to anticipate such changes?

John Badrinas: We have a special "technology watch." This is based on our awareness of all the platforms to be launched by all car manufacturers globally during the next five years. Our job is to anticipate their needs and employ our superior anti-vibration expertise to offer possible solutions, almost before customers are aware of the need.

Gert Smit: It is essential to establish contacts with consultants working for our customers to ensure they are aware of our capabilities and to discuss what the near future will bring. One example is underwater tunnels, which will be con-

structed at depths of as much as 50 or 60 meters as opposed to today's 20 or 30 meters. This is a development we foresaw already several years ago and now, finally, the first of these tunnels is to be constructed during the next two years using our products.

Ulrich Frenzel: We use several methods; one is called the Innovation Management Process. We put together innovation teams with people representing different forms of expertise both from within our company as well as from key customers. We have one such team working right now on intelligent seals.

Stig Ottosson: Do you cooperate with universities to find new solutions?

Ulrich Frenzel: We have several research and development projects in progress with universities, where we share the funding. One of the things we are looking at is how our elastic materials will behave together with ceramic coatings, which, as you know, are porous materials, very different from, for example, steel. We are also involved in Prohib, a European funded research project to develop new cylinder production technologies involving, among other things, ceramic coatings.

"Environmental demands are definitely a major driving force in the automotive industry."

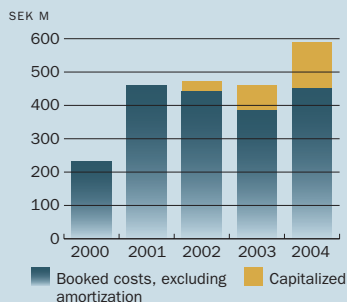
"We put together innovation teams with people representing different forms of expertise."



Dr Ulrich Fenzel, head of research and development, Trelleborg Sealing Solutions Europe.

Research and Development

Research and development expenditure, SEK M



During 2004, research and development expenditure amounted to SEK 589 M (459), corresponding to 3 percent (3) of sales. Of this amount, SEK 138 M (73) was capitalized and reported as an intangible asset in the balance sheet. The year's amortization on capitalized research and development expenditure amounted to SEK 25 M.

Research and Development within Trelleborg

The innovation process within Trelleborg is one of the Group's key success factors. Products are developed at an early stage and in close cooperation with customers. Trelleborg devotes substantial resources to retaining a position at the forefront in research and development and efforts to foresee tomorrow's needs for products and solutions. In the fundamental polymers area, continuous research and development activities have made Trelleborg one of the leading companies globally.

The innovation process at Trelleborg is conducted on three levels. The first level is the Group's basic know-how in the physics and chemistry of polymers. The second is experience and knowledge of polymer applications. The third level involves the concrete design of products. Trelleborg develops about 3,000 new products/ product applications annually using this approach.

The Group has more than 40 research and development centers throughout the world, some of which focus more on research and other more on development. Trelleborg Automotive, for example has development centers in Germany, Sweden, France, the US and China. Trelleborg Sealing Solutions has development centers in Denmark, Malta, Germany, Sweden, the UK and the US. Development within Trelleborg Building Systems is concentrated in Sweden and Germany. In the same way, Trelleborg Wheel Systems' development is concentrated mainly to its technical center in Italy.

John Badrinas: In the antivibration field, we have witnessed an interesting technological development. The basic technology involves bonding rubber to hard substances such as steel or plastic. To meet customer demand, we have developed hydraulic components where a hydraulic fluid is encapsulated inside the rubber. Now we are working with adaptable mounts, equipped with electronics that change the geometry of the component depending on the behavior of the vehicle. Also in the pipeline, we have systems that will anticipate movements and actively balance the vehicle's reaction. This represents a case of

"We allow people to devote time to issues that may not be at the top of the agenda today, but which could be tomorrow."

"mechatronics" and a good example of the current rapid rate of development. We are also noting increasing interest among our customers for composite materials. In all of these areas, cooperation with universities and German technical colleges provides important input, enabling us to stay ahead.

Stig Ottosson: That means you are working on intelligent products. Are there other examples of this?

Ulrich Frenzel: Our customers in the space industry, for example, are becoming more interested in information on the behavior of a seal over its entire lifespan. There is an emerging demand for seals

that independently transmit information on wear, tear and functionality. Meeting this demand is quite a challenge.

Gert Smit: I think intelligent fenders will be an issue soon. Today, we develop and produce fenders designed for different types of ships, moving towards the quay at a certain velocity. Sensors can be used to allow each ship to register its weight, speed and angle. This information can be used to adapt the stiffness and energy absorption of the fender.

Stig Ottosson: How will the Group be able to continue delivering creative solutions like these?



John Badrinas: We have really stepped up the use of web-technology as a tool for knowledge sharing, both within the company and with our customers. We emphasize the need to constantly acquire new knowledge during the development of a project – knowledge that can be used again in the next assignment. We will also allow people to devote time to issues that may not be at the top of the agenda today, but which could be tomorrow.

Ulrich Frenzel: One of the main requirements is that we need team players. We also need transparency. In the past, we had people who kept everything to themselves, but this has changed totally. A researcher's colleagues should be able to find out exactly what he did yesterday. The process must be defined clearly and must be transparent, with documentation available to all.

Gert Smit: I think recruitment is the starting point. Elastomeric materials are non-linear. Some people like this unpredictability and others don't. I have learnt that if you bring in the wrong people, they will leave after three months because they cannot handle the material. Rubber is a living material for living

people! Even if it is not the material itself, but rather solutions that damp seal and protect, which form the foundation

"It is not the material itself, but rather solutions that damp, seal and protect."

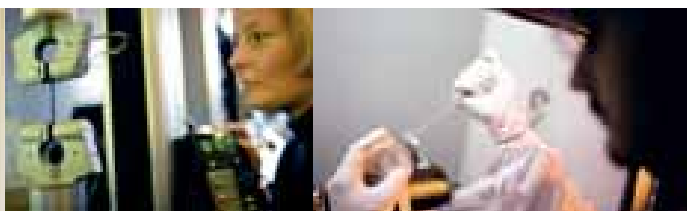
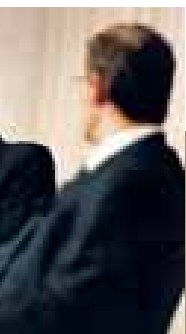
of our work today, this preparedness for the unexpected is still very much part of Trelleborg.

Rubber – a natural product with unparalleled properties

This natural product, whose unparalleled properties were first discovered by Indians in South America, forms the base of today's advanced knowledge of materials within Trelleborg. Polymers are long chains of molecules – normally hydrocarbons – that form the building blocks of substances such as rubber and plastic. Rubber is a natural material comprising the elements of carbon and hydrogen in a combination that gives unparalleled natural properties. Rubber is elastic, water-repellent, moldable and damps both noise and vibration.

Natives of South America found that the resin from the rubber tree had very interesting properties when it hardened and came into contact with heat. The properties of rubber were developed during the nineteenth century. Charles Goodyear discovered by chance that the properties of rubber could be improved by adding sulfur. This process, known as vulcanization, makes the rubber more resistant and less dependent on the surrounding temperature.

A breakthrough came in the early twentieth century with the start of mass production of synthetic rubber. This is manufactured chemically, normally from petroleum (oil). Synthetic rubber has corresponding properties to natural rubber and can also be "tailor-made" for different applications through various alloys. Approximately 25 percent of the rubber used by Trelleborg is natural rubber and the rest is synthetic rubber.



As a net borrower and due to its substantial operations outside Sweden, the Trelleborg Group is exposed to various financial risks. Trelleborg's financial policy sets out guidelines for managing these risks within the Group. The policy states the purpose and organization of financial activities, the division of responsibilities and guidelines for managing the risks described below. The financial policy is evaluated and updated annually, or more frequently if required, by the Finance Committee within the Board of Directors, and is subsequently adopted by the Board.

Financing and financing risk

Financing risk is defined as the risk that the refinancing of maturing loans may be difficult or costly to arrange. The Group's policy is that contracted credit facilities with a credit period of at least 12 months must be available in an amount equivalent to the Group's gross debt, and that the Group must maintain a liquidity reserve that corresponds to at least 5 percent of the Group's net sales. Two syndicated loans form the backbone of the Group's medium-term financing. One of these loans is for USD 600 M (SEK 3,968 M) and matures in June 2007. The other is for EUR 540 M (SEK 4,869 M) and matures in October 2008. (The syndicated loans will very likely be refinanced in the first quarter of 2005, with a term of 5-7 years.) These loans are complemented by a bond loan of EUR 40 M (SEK 361 M) that matures in November 2011. At year-end 2004, Trelleborg had utilized SEK 6,979 M of these total credit facilities of SEK 9,198 M. See chart on page 41.

In addition to these long-term credit facilities, Trelleborg has contracted short-term credit facilities (due for payment within 1 year) for its borrowing needs up to approximately SEK 1,100 M. The Group also has current non-committed credit lines, which amounted to about SEK 2,500 M at the end of 2004.

Foreign exchange risk

Foreign exchange risk is the risk of exchange rate fluctuations having an adverse impact on the consolidated income statement, balance sheet and/or cash flow statement. Foreign exchange risk exists in the form of both transaction risk and translation risk.

Transaction exposure

Currency flows arising when goods and services are bought or sold in currencies other than the subsidiary's local currency give rise to transaction exposure. Trelleborg's policy allows for 100 percent of invoiced or contracted flows to be hedged. Hedging of forecast flows is permitted up to a volume corresponding to a maximum of 75 percent of flows over a maximum period of two years. The Group's production is to a large extent located in the currency area in which the products are sold, thereby reducing transaction exposure. The Group's net exposure amounted during 2004 to about SEK 1,951 M*. More than 90 percent of this exposure is concentrated to SEK, USD, EUR and GBP. Exposure is distributed over more than 15 countries/currency areas, of which the single largest exposure is in Sweden, corresponding to about SEK 645 M. The Group's next largest

exposures are in the euro area, corresponding to approximately SEK 370 M, Sri Lanka and Malta, corresponding to about SEK 295 M each, and the UK, with about SEK 140 M.

About 48 percent (39) of the annual net transaction exposure was hedged at year-end 2004. Hedging was arranged through foreign exchange forwards.

Exposure to translation risk in the income statement

Exchange rate movements impact on the Group's earnings when the income statements of foreign subsidiaries are translated to SEK. Since the Group's earnings are to a very large extent generated outside Sweden, the impact on the consolidated income statement can be substantial. The Group does not normally hedge anticipated earnings in foreign currencies.

Upon translation of the income statements of foreign subsidiaries, exchange rate movements affected the Group's operating earnings for the year negatively by SEK 16 M (neg: 51) and net profit positively by approximately SEK 2 M (neg: 17).

Exposure to translation risk in the balance sheet

In connection with the translation of Group investments in foreign subsidiaries to SEK, there is a risk that changes in exchange rates will have an effect on the consolidated balance sheet. In accordance with Trelleborg's finance policy, the Group's investments in foreign subsidiaries and associated companies may be hedged. A decision to hedge follows an overall evaluation of foreign exchange levels and the effects on costs, liquidity and taxes, as well as on the Group's debt/equity ratio.

At year-end 2004, the Group's net investments in foreign subsidiaries and associated companies amounted to approximately SEK 9,600 M (12,700). The decline in the Group's net level of investment compared with 2003 is due primarily to an implemented change in the capital structure. Translation differences in 2004 were negative in an amount of SEK 170 M (-226), calculated after hedging through

Group Treasury

The Group's finance activities are centralized in Group Treasury, which is responsible for the Group's financing, financial risk management, internal bank operations and other treasury-related matters. This centralization entails substantial economies of scale, a lower cost of financing and better control and management of the Group's financial risks. Within the framework of established guidelines, there is also an opportunity to conduct certain proprietary trading in currency and interest-rate instruments. Such trading generated a profit during the year. Proprietary trading also contributes to an important information flow and market intelligence, factors that are beneficial to the management of the Group's financial risks.

*Of which, approximately SEK 393 M pertains to EUR exposure in Denmark, where the currency is tied to EUR.

loans and forward contracts less estimated tax.

At year-end 2004, 43 percent (55) of net investments were hedged. Hedging was primarily secured through loans in local currencies. The table below shows the distribution by currency.

Interest-rate risk

The Trelleborg Group's primary sources of financing are shareholders' equity, cash flow from operating activities and borrowing. Through borrowing, which is subject to interest, the Group is exposed to interest-rate risk.

Interest-rate risk is the risk of the Group's earnings being negatively affected by changes in market interest rates. The speed at which a lasting change in interest rates impacts on the Group's interest income/expense depends on the fixed-interest terms for borrowing and investments.

The Group seeks a balance between the estimated current cost of borrowing and the risk of sustaining a significant negative impact on earnings in the event of a sudden, major movement in interest rates. The Group's policy stipulates that in raising loans, interest rates may be fixed for a maximum of four years. Interest rates for the investment of liquid funds may be fixed for a maximum of two years for amounts not exceeding SEK 2,000 M.

At year-end 2004, the Group's interest-bearing borrowing totaled SEK 7,460 M (9,603). The average remaining fixed-interest term for the loans was approximately 1 year (1.3 years), including derivatives. Outstanding investments at year-end amounted to SEK 509 M (1,156), with an average period of fixed interest of about 1 month (4 months). The Group's interest-bearing net liabilities amounted to SEK 6,951 M (8,447), with an average remaining period of fixed interest of about 1.1 years (1.5 years). Based on the level of net debt at January 1, 2005, a 1-percentage point rise in interest rates in all countries in which the Trelleborg Group has loans or investments would generate an increase of approxi-

mately SEK 19 M in net financial income for 2005. The chart on this page shows the distribution of interest-rate risk per currency.

The Group's average net liabilities during the year amounted to SEK 7,989 M. Net interest items as a percentage of average net liabilities amounted to 3.2 percent.

Outstanding interest-bearing investments are reported in Notes 14 and 22. The Group's outstanding interest-bearing borrowing and its distribution by currency, interest rates and fixed-interest terms are reported in Note 26 on page 69.

Credit risk

Credit risk within financial operations arises in part when investing liquid funds and in part through counterparty risks in the trading of financial instruments. To reduce the credit risk, trading is only permitted with a limited number of counterparties, and within limits approved by the Trelleborg Board. The Group's policy is to work with banks that have a high credit rating and which participate in the Group's medium and long-term financing.

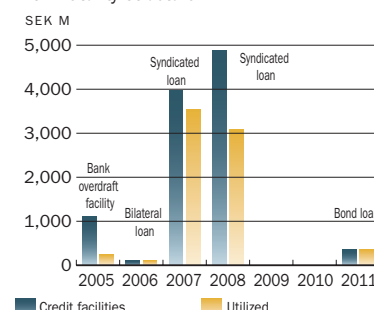
The Group's liquid funds are managed primarily at the Group level and are invested in the money and capital markets.

At year-end, liquid funds amounted to SEK 475 M.

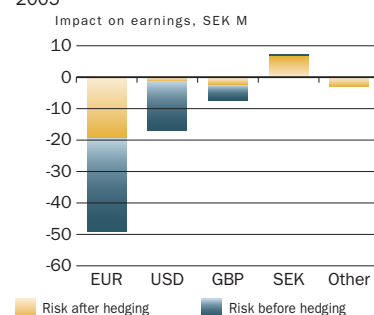
The Group's Chinese subsidiary Wuxi International, which is 55-percent owned, has cash funds of about SEK 83 M, invested in various banks in China.

During 2004, no credit losses arose from the investment of liquid funds or from trading with counterparties in financial transactions.

Loans granted and utilized credit facilities with maturity structure



Interest-rate risk (1-percent increase in interest rate) 2005



Transaction exposure

Currency	Net exposure, annual forecast, SEK M	Portion hedged by forward contracts 2005, SEK M	Portion hedged by forward contracts 2005, %
EUR	1,306	594	45
USD	319	131	41
GBP	171	116	68
Other	155	90	58
Total	1,951	931	48

Translation effect on income statement 2004

Currency	Net sales	EBITA	Net result
EUR	2	0	-1
GBP	48	2	0
USD	-350	-4	8
Other	-124	-14	-5
Total	-424	-16	2

Currency effect on income statement 2004, SEK M

Sensitivity analysis of translation exposure in the balance sheet

Currency	Net investment, SEK M	Hedging, SEK M	Hedging, percent	Exposure, SEK M	Effect on shareholders' equity, SEK M, 1 percent stronger currency*
EUR	4,900	2,200	45	2,700	-27
GBP	1,100	300	27	800	-8
USD	1,700	1,200	71	500	-5
Other	1,900	400	21	1,500	-15
Total	9,600	4,100	43	5,500	-55

* Before taking possible tax effect into account.

The Group's risk management supports the comprehensive corporate governance work relating to the control and management of operational risks.

The Board of Directors and Group management are ultimately responsible for the risk management process. However, the process is implemented at all levels of the organization and the Group applies an all-round approach to risk, supported by policies, instructions, manuals and systems.

At the first Board meeting of the year, an account is given of significant known risks, projects in progress and insurance cover. In addition, the Board is continually updated about any changes that take place during the year. The risk situation is then a standing agenda item for discussion at all Group management meetings with Senior Vice Presidents and Business Area Presidents.

For the past three years, Trelleborg has arranged a specific Risk Management Forum where controllers from all five business areas meet five times a year to discuss policies, reviews and risk and safety matters and to solve specific issues related to risk and insurance. This forum is managed by the General Counsel and Secretary together with the Group's risk manager. To provide additional support, "risk hubs" were established in 2004 in Germany, France, Italy, Spain, Scandinavia, the US and the UK. Competence is gathered in these risk hubs, whose task is to assist the central risk management function and the business areas with continually identifying and monitoring risks, seizing project opportunities and implementing projects. This matrix organization enables a transparent and tangible risk process and results in fast and effective risk management.

Property and liability risk

Property – For some years, the Group has employed an integrated process for the identification of property and stoppage risks at plants in order to remedy these in a manner that is balanced, optimized and financially beneficial to the Group.

The Group has an established risk inspection program, entailing that production facilities are inspected to check compliance with Group guidelines. In 2004, the Group's plants were systematically evaluated in accordance with Trelleborg BLUE, the Group's risk assessment procedure.

Liability – There are specific procedures to manage risks within areas where the Group has products that may be regarded as being safety-related. In addition, the Group's insurance cover is adapted to its product range and to the general liability risk to which the Group is exposed.

Human capital

Trelleborg strives to be an attractive employer. During the year, the Group further refined its procedures for making maximum use of its internal resources to ensure the Group's attractiveness and level of competence. The goal is for 75 percent of recruitment to take place internally.

Risk management is continually being expanded within the Group. One project in 2004 was the Safety@Work initiative, which focuses on work environment and related risks. The project was launched in France, Italy, the US and the UK in 2004, and will be implemented in other areas of the Group in the future. The methodology and process is largely the same as that for assessing property risks. However, it involves an additional step of cross-inspecting and cross-evaluating risks between companies and business areas in order to best utilize and spread existing knowledge about work environment within the Group. See also the section on "people and the environment" on pages 44-48.

Insurance

To secure well-balanced insurance cover and attain financial economies of scale, instruments such as Groupwide non-life and indemnity insurance, travel insurance and transport insurance are employed. Such insurance cover is managed by Trelleborg Corporate Risk Management, a function that is well adapted to the

Group's operational organization and that, through the establishment of regional risk hubs, has benefited from improved regional and local involvement in the management and transfer of risks.

A key element of risk management involves creating incentive structures that favor continuous efforts to improve the Group's insured risks. The primary instrument used for this purpose is internal allocation of insurance premiums. The allocation model takes into account the safety measures and level of protection at each individual plant. Substantial safety efforts are reflected in lower premiums. The model has been successfully applied for property insurance for several years, and similar models will be implemented for other types of insurance in 2005.

Product risks

Although the great majority of the Group's products entail very limited risks in their use, the Group also develops products and systems for certain security-critical environments. Trelleborg conducts extensive safety efforts for products manufactured for particularly demanding environments or that otherwise entail elevated risks. Systematic analysis and evaluation is performed on existing and new products, with a focus on safety-critical products. Such efforts during the year included a review of products for the aerospace industry.

Environmental risks

For information on environment-related risks, see pages 45-48 in this Annual Report, as well as Trelleborg's Sustainability Report and the Group website, www.trelleborg.com.

In early 2004, an organizational change was made, entailing that the Environmental Affairs department was incorporated into the Legal Department with the aim of broadening and deepening risk management and benefiting from the synergies that exist between property and liability risks and environmental risks. As of 2004, Environmental Affairs

is also represented in the Risk Management Forum. In 2005, Trelleborg will further expand its Environmental Affairs function, broadening and deepening its undertakings. In order to benefit from synergies, greater integration will take place between Environmental Affairs and other Group staff functions.

Raw material risks

The Trelleborg Group purchases large volumes of prefabricated metal components and rubber raw materials. The ratio is approximately 60 percent metal raw materials and 40 percent rubber raw materials.

In general, raw material prices for rubber are cyclical, although natural rubber prices are more volatile and synthetic rubber prices are relatively more stable. During the year, however, prices for most synthetic rubber products rose. The price increase is primarily due to a rise in the price of crude oil and a strengthening of the global economy. The markets for synthetic rubber are often regional and can show differing trends due to volume imbalances. However, no differences between continents are visible in the price increase during 2004.

To limit the negative effects of increases in raw material prices, the Group's purchasing strategy is based on securing stable, long-term agreements through negotiation with the most competitive suppliers worldwide. The Trelleborg Group works actively with purchasing at both the central level to benefit from the Group's size in price negotiations, and locally to quickly implement central agreements and obtain necessary market information.

Currency effects arising from the relationship between the USD and EUR impact both directly and indirectly on raw material prices. An example of direct impact occurs when natural rubber is traded in USD on raw materials exchanges in Asia. Raw material prices are affected indirectly since the production of synthetic rubber uses dollar-based raw materials in most continents and in several currency areas.

To benefit from the very latest technological advances in synthetic rubber production, the purchasing organization ensures that the Group maintains relations with all leading suppliers globally. To minimize exposure to raw materials shortages or major price differences between suppliers, the Group works actively to maintain contact with alternative suppliers of strategic raw materials.

With regard to steel-related raw materials, the main exposure is attributable to Trelleborg Automotive. Price risk related to steel-based raw materials is normally handled by the suppliers. In 2004, however, price increases were substantial and could not be fully offset in this manner. During the year, Trelleborg Automotive was adversely affected by price rises for polymer-based raw materials and input goods containing steel. A combination of measures is underway to offset the increase in raw materials prices. These measures include efficiency-enhancement measures, consolidation of the supplier structure, design changes and price rises.

For aluminum products, the price risk for aluminum raw materials is managed via so-called raw-material index-based contracts from suppliers via the Group and on to the customers.

Legal disputes and the risk thereof

No companies within the Group are party to a legal process or other dispute where the outcome can be assumed to be other than marginal for the company in question or for the Group's earnings and financial position as a whole. The legal disputes, and risks of such, which arise from time to time are regularly reported to the Group's central legal department for analysis and follow-up. As cases may require, legal disputes are handled by a qualified legal representative under the direction of the legal department.

During the year, US subsidiary Goodall continued to handle the product-related asbestos lawsuits the company is party to in accordance with the guidelines and principles applicable in previous

years. No such lawsuits have had, or are expected to have, other than a marginal effect on Goodall.

Customer losses

The risk of customer losses pertains to the risk of the customer not being able to pay for products delivered due to financial problems. Trelleborg's operations are conducted over a large number of geographical markets, with numerous customer categories. This means that the Group's risk spread is favorable.

Responsible enterprise

Responsible enterprise is based on ethical standards, business skills, social responsibility and environmental awareness. During the past few years, we at Trelleborg have formalized our approach to these areas, with our basic values – Customer Focus, Performance, Innovation and Responsibility – as the starting point. These values, combined with the Group's Code of Conduct, policies and other controlling documents, help to create a uniform body of values for employees worldwide. Our responsibility is to attain a balance between the social, environmental and financial aspects encompassed within the concept of sustainable development, including:

- The interplay between our operations and people's health and the surrounding environment, locally and globally.
- The health and safety of employees in workplaces, as well as their personal development and involvement in their work.

Community and university contacts

Trelleborg participates in a number of different community activities, often of a local nature, that involve cooperation with neighbors, interest groups and public authorities. Within the educational field, we have cooperated for some years with various universities and schools. This cooperation has resulted in excellent contacts with researchers and students, and over the years many students have carried out degree projects and research work – with an environmental focus in some cases – at Trelleborg's plants.

Projects completed during 2004 focused, among other areas, on the introduction of OHSAS (Occupational Health and Safety Assessment Specification) and the verification of sustainability reports.

- Participation in the community through various networks, contacts with neighbors and residents in municipalities, and cooperation with schools and universities.

Employees

Human-resources work at Trelleborg focuses on three main areas:

1. Attracting, developing and retaining employees

It is a major challenge for a global company to create an environment that attracts and develops competent employees, increases commitment and encourages good performance.

Managers at Trelleborg are expected to function as leaders with the ability to set clear goals, follow up work input and delegate work assignments and responsibilities to the employees under them. A key task of managers is to ensure that employees continuously develop their competence and are encouraged to undertake further development within the Group. Leadership issues and the supply of managers are ongoing, high-priority processes within the company. The key areas within this framework are:

Manager supply

Trelleborg has a well-established manager-supply process that serves to define competence needs in the short and long term and to ensure that the Group meets future competence needs in good time. A manager-supply review relating to senior management is conducted annually by the remunerations committee of the Board of Directors, and the results are reported back to the Board.

Internal Job Market

During 2004, the possibility of seeking vacant positions within the Group via

the intranet was developed and improved. The aim is to create transparency and provide greater opportunities for job rotation and development, both at the individual level and for the Group as a whole.

Initiatives taken during the year also included a campaign initiated by Trelleborg Sealing Solutions focusing on internal and external recruitment of younger employees, who are then given the opportunity to build a career at Trelleborg within the framework of a trainee-type program.

Compensation policy

A critical factor for ensuring the Group's long-term success is to have processes in place that take account of employees' performance and contribution to the fulfillment of objectives through a clearly defined payroll system. A Group-wide compensation policy sets the parameters for this system, and the compensation structure is based on systematic evaluation.

Raising competence levels

Many employees participate in various training programs directly linked to their work assignments. Such training may, for example, focus on the technical aspects of production equipment, legislative requirements or quality, health, safety and the environment. Training in the environment and safety areas is provided regularly at the plants. During 2004, the average number of training hours per employee in the environment and safety areas was 4.4 (5.0).

Internal recruitment

Internal recruitment is assigned a high priority within the Group as a means for preserving continuity and retaining professional competence. The target is a 75-percent internal recruitment rate. The current rate is estimated to be between 60 and 65 percent.



Average number of employees 2004 – 2002

Distribution by country	2004	2003	2002
France	2,948	2,753	2,852
Sweden	2,558	2,082	1,966
UK	2,404	1,448	1,271
US	2,364	1,910	2,090
Spain	1,402	1,349	1,156
Italy	1,281	735	639
Germany	1,279	945	1,026
Malta	781	192	
Brazil	748	659	538
China	603	583	647
Rest of Europe	2,767	1,301	1,109
Rest of North and South America	963	482	425
Other regions	1,577	1,416	1,166
Total	21,675	15,855*	14,885
Men	16,279	12,265	11,658
Women	5,396	3,590	3,227

* At the end of 2003, the Trelleborg Group had approximately 20,200 employees.

Trelleborg has operations in some 40 countries and industrial plants in about 25 countries. Approximately 90 percent of the Group's employees work outside Sweden. The average number of employees increased during the year to 21,675 (15,855). The proportion of women was 25 percent (23). Pay and other compensation amounted to SEK 5,606 M (4,173). The average number of employees in Sweden amounted to 2,558 (2,082), of whom 33 percent were women (30). The average number of employees in other EU countries was 12,417 (8,033), of whom 23 percent were women (19). The average number of employees in the US was 2,364 (1,910), of whom 32 percent were women (31). The personnel turnover (excluding layoffs) varies between different countries and plants and often reflects the local manpower situation. The majority of units report a personnel turnover of less than 10 percent per year.

Competence development is also offered through Trelleborg Academy, an umbrella concept for Group-wide training programs. Training is arranged both locally and centrally, sometimes supported by various e-learning programs. Web-based training programs offered during 2004 included the Trelleborg Orientation Program, Office Package and Project Management.

Management training

The Trelleborg International Management Program (TIMP) is available for managers. The program includes company knowledge, business skills, communication, leadership and understanding of cultural differences. TIMP is a 12-day program divided into three sessions.

During 2004, 81 participants, including 11 women, began TIMP.

Excellence in Manufacturing is a global program aimed at developing the

participants' knowledge and skills in areas such as optimization of production processes, leadership and the interplay between production and other areas, such as finance and quality. The program had 18 participants, including one woman, during 2004.

Equality and diversity

Equality and diversity are areas concerned with mutual respect and the need to make the best use of the competence that exists within the company, as well as the need, in some countries, to comply with specific legislative requirements. Trelleborg's workplace policy states that Trelleborg shall not apply special treatment to employees in regard to recruitment or work assignments on the basis of gender, religion, age, physical impairment, sexual orientation, nationality, political views or social or ethnic origin. More than 400 women hold senior or mid-level management positions at production facilities.

2. Supporting change processes

Change processes associated with acquisitions, divestments, rationalizations and reorganizations are part of the daily reality for a company like Trelleborg. A key task is to create the right conditions for changes and, while exercising respect for every employee, to reduce uncertainty and insecurity while simultaneously safeguarding the company's continued competitiveness.

During 2003, Trelleborg gained more than 6,000 new employees in a large number of countries, as a result of which 2004 was characterized by a number of different integration measures. The new Trelleborg Sealing Solutions business area is now fully integrated in the Trelleborg Group. At the same time, structural measures have led to a reduction in personnel numbers at certain plants, including facilities in the US and the UK. The decision to close down tire production in the town of Trelleborg also created a need for a special personnel program for those affected.

3. Implementation of the Group's values and Code of Conduct

The Group's fundamental values and Code of Conduct are a part of our culture. However, it is important that they do not merely remain words but are given real meaning and significance in daily operations. This requires discussions, information and actions. Implementation of the Code of Conduct is a long-term process, and during the past two years efforts have included describing and explaining the values and Code of Conduct and disseminating them to employees via the Group's intranet, external publications and meetings. The information is translated when necessary – so far into about ten languages. The follow-up



phase of implementation will be initiated during 2005.

Another element in the implementation process is an increased focus on internal information. In conjunction with the adoption of a new communication policy by the Board of Directors during 2004, an internal communication policy was also prepared, with the aim of clarifying the role of internal communication, areas of responsibility, and so forth. The Group's extensive intranet, TrellNet, is the main channel for internal information.

The earthquake disaster in South Asia

At the end of 2004, South Asia was struck by one of the worst natural disasters of our time, with inconceivable consequences.

Trelleborg has operations in several of the affected countries. Fortunately, no employees were injured, but many people in Sri Lanka were severely affected. The Trelleborg Group's aid efforts have mainly been focused on Sri Lanka, in the form of immediate disaster aid, such as providing water, food and medicine and rebuilding collapsed homes, and in the form of long-term assistance through participation in the authorities' rebuilding programs.

Many fantastic individual initiatives, such as collections, have also been taken by employees throughout the world. Trelleborg Protective Products in Ystad, Sweden, sent ten TrellTents to the authorities in Sri Lanka.

Work environment aspects

Examples of measures in the work environment area at Trelleborg include training, the availability and use of the correct personal safety equipment, technical safety installations, scientific surveys and the substitution of hazardous chemicals.

A major initiative taken during the year was the Safety@Work project, which focuses on the work environment and related risks. Among the aims of the project are:

- To continuously improve the work environment for employees.
- To create a platform for measuring continuous improvements.
- To establish a Group standard.
- To increase the exchange of know-how between Group companies.
- To reduce work-environment-related costs.
- To exploit synergies in risk management.

During 2004, the project was launched in the US, the UK, France and Italy, and implementation is planned to also continue in other parts of the Group.

During 2004, 1,057 (1,069) work-related injuries resulting in more than one day's absence from work were registered. The most frequently occurring injuries are cuts, burns and crushing injuries, as well as injuries to muscles and joints. Activities aimed at reducing the number of work-related injuries include risk assess-

ments, surveys of exposure to various substances in the work environment, with the assistance of researchers, training and information about risks and solutions, installation of technical safety measures, and the introduction of management systems in the work-environment area.

Two plants are certified in accordance with OHSAS 18001, which is a management standard focusing on health and safety.

Environment Management

Direct responsibility for issues relating to the environment, health and safety rests with and is discharged by the person responsible at each legal unit. Every plant has an environmental coordinator and persons who are responsible for health and safety. Many plants cooperate in informal groups in regard to sustainability issues and share a variety of specialized expertise and experience with each other. The central Group environment function is responsible for coordination and training in environment-related issues and also, jointly with Group Legal Affairs, for issues related to health and safety. During 2004, the focus on integrated sustainability work was strengthened, and accordingly the environment function was integrated into Legal Affairs, which already incorporates the Group's central risk-management function. The aim is to utilize and develop the extensive synergies that exist in the areas of environmental issues, legal issues, work-environment issues and physical and insurance-based protection for our employees and plants.

The Group's intranet has a comprehensive sustainability section that is used for disseminating information.

Trelleborg's operations shall be conducted in accordance with:

- Trelleborg's Code of Conduct, policies and overall values.
- Requirements set forth in legislation, and other demands – from customers and neighbors for example.

Year	Energy consumption		CO ₂ emissions		VOC emissions		Amounts of waste	
	GWh	GWh/employee	Tons	Tons/employee	Tons	Tons/employee	Tons	Tons/employee
2000	1,012	0.08	129,200	10.5	1,189	0.1	33,000	2.7
2001	1,135	0.07	146,360	9.0	1,528	0.1	43,390	2.7
2002	1,164	0.08	129,000	8.7	1,735	0.1	47,360	3.2
2003	1,263	0.06	140,500	6.9	1,517	0.07	48,415	2.4
2004	1,382	0.06	141,500	6.5	1,819	0.08	62,940	2.9

Carbon dioxide

In Sweden, Trelleborg Industri AB has applied for and obtained 10,300 emissions rights for trading in CO₂ emissions. The emissions in question are from the natural-gas-fired main boiler in Trelleborg, Sweden. No emissions rights have been registered by other facilities.

In Folksam's Climate Index, which includes 250 exchange-listed companies in Sweden, Trelleborg was awarded three stars out of a possible five in 2004.

- Controlling documents and guidelines from the Group, such as the environmental policy, workplace policy and standards.
- The requirements stated in the environmental management standard, ISO 14001, including external third-party audits of the environmental management system.

Goal-oriented and structured work

The ISO 14001 environmental management standard is the cornerstone of Trelleborg's sustainability work. Since the program was initiated in 1998, 86 plants out of 105 have been certified. The aim is to certify all plants. Four units were certified during 2004, including four plants in Poland, Italy and the US.

The Group's overall environment policy includes the following elements:

- Implementation of ISO 14001 at all production units.
- Training in the areas of environment, health and safety.
- Reduced consumption of natural resources, energy and water.
- Reduced atmospheric emissions.
- Reduced amounts of waste and increased amounts of recycled and recovered materials.
- Continuous improvements to health and safety in workplaces.

Within the parameters of the environmental management system, the various units formulate quantified environmental targets and action plans. These are followed up at the local level and in the Group's reporting system. The targets for 2004 mainly related to:

- Organizational aspects and training programs, primarily the introduction of ISO 14001, OHSAS 18001 and training in environmental and safety matters.
- Measures to reduce consumption of natural resources, particularly energy, water and various materials.

- Measures to manage waste more efficiently and reduce amounts of waste.
- Measures to improve the work environment and reduce the number of work-related accidents – for example by replacing hazardous substances in processes and products.
- Reduced atmospheric emissions, leading to reduced disturbance to the local environment.

During the past few years, demands from customers, including the automotive and construction industries, have increased. Trelleborg has responded to these demands by introducing environmental and quality management systems at an early stage and by presenting environmental performance information for a number of products, primarily within the framework of the International Material Data System (IMDS).

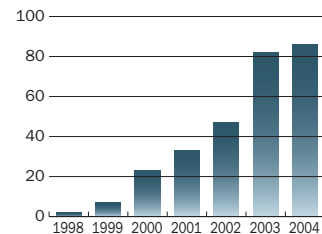
Environmental impact

The Trelleborg Group has slightly more than 100 production units in Europe, Asia and North and South America. The Group's operations impact on the surrounding environment mainly through the utilization of natural resources (energy, water, raw materials and chemical products), emissions to air (solvents, vulcanizing fumes, dust and odorous substances), noise and solid and liquid waste. In addition, the environment is affected by transports and the Group's products, and by historical contamination of soil and groundwater.

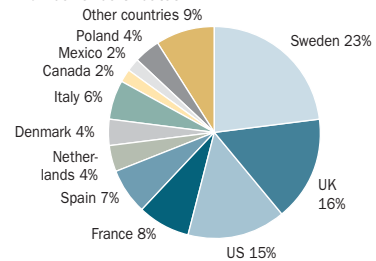
The majority of Trelleborg's production plants require permits in accordance with the environmental legislation in the countries where they are located and are regularly inspected by the authorities. A few smaller units are classified as not requiring permits.

In Sweden, Trelleborg conducts operations requiring permits or subject to mandatory reporting at 18 plants, that is, all production units in the country. The permit requirement relates to the scope of production and imposes condi-

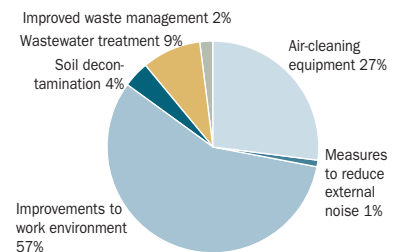
Number of plants with ISO 14001 certification



ISO 14001 certification by country – % of total number of certificates



Environment-related investments



During the year, Trelleborg's sustainability work received a number of recognitions, including the following:

- Trelleborg's Annual Report was one of five given a "best practice" citation in Deloitte's annual survey of Swedish listed companies' voluntary reporting.
- Inclusion in the Ethibel Ethical Investment Register.
- Favorable evaluation result in Kempen's Socially Responsible Investing Index.

People and the environment

tions for emissions to air and water and for waste. Each year, the Swedish plants subject to permits report emissions data and the extent of compliance with the permit conditions in separate environmental reports that are subject to the approval of the supervisory authorities. Similar reports are submitted to the authorities in a number of other countries.

Most of the production units in the Group have permits dating back to the late 1990s. During 2004, existing permits were updated and applications for new permits submitted in respect of some 40 plants.

In Sweden, permit applications are in preparation at the plant in Kalmar. Violations of specific permit conditions or other environmental and safety legislation have been reported at 13 plants worldwide. Related costs amount to less than SEK 1 M. Examinations and clean-up of contaminants in soil and groundwater are in progress at around 15 plants.

Environment-related finances

During 2004, total environment- and work-environment-related costs and investments amounted to approximately SEK 167 M (127). Environmental investments during 2004 include costs for new purification equipment, preventive work-environment measures, preventive soil and groundwater protection and other measures to reduce environmental impact or damage to people's health. Total

environment-related investments amounted to SEK 85.7 M (51.8). Substantial investments were made, for example, at the plants in Tivoli, Carquefou and Clermont-Ferrand. In many cases, the introduction of environmental management systems results in plants identifying opportunities for savings – for example through the more efficient use of energy and water, reduced waste amounts and the utilization of recovered materials. Savings reported for 2004 amounted to approximately SEK 20.6 M (9.5). The administrative costs during the year for environmental work amounted to SEK 36.8 M (39.4).

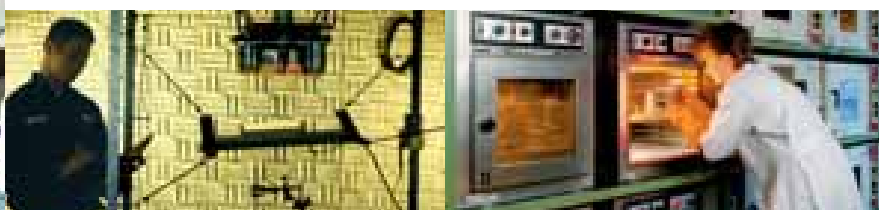


Sustainability report

Since 1999, the Trelleborg Group has published a separate annual environmental report. After initially dealing with traditional environmental issues, the environmental reports have increasingly focused on information concerning social and community-related issues. Accordingly, the reports from 2002 onward have been in the form of sustainability reports presented as separate reports that supplement the information contained in the Annual Report. Details of Trelleborg's work in the sustainability area are also published on the Group's Internet website. In future, reports on the Group's sustainability issues will be further concentrated to the website. You are therefore welcome to visit www.trelleborg.com



Environmental information for 2004 was gathered from 105 production facilities worldwide. Each unit contributes data in accordance with the Group's standards for environmental accounting. The manager of each facility is responsible for quality assurance for environmental parameters. The Group Environmental Affairs function compiles and processes the information. The gathered environmental performance data are compared with previous years' performance data for each facility and with data for facilities with similar production. The accounting principles are explained in detail in the Group's Sustainability Report.



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Trelleborg AB (publ) is a limited company whose registered office is located in Trelleborg, Sweden.

The Trelleborg Group's financial statements were prepared in accordance with the Swedish Annual Accounts Act and follow the recommendations of the Swedish Financial Accounting Standards Council and its Emerging Issues Task Group.

The introduction of the Swedish Financial Accounting Standards Council's RR29 Employee Benefits increased the pension liability at January 1, 2004 by SEK 199 M and reduced capital employed by a corresponding amount as a result of a change in the method for calculating the value of defined-benefit pension plans. Shareholders' equity was thereby reduced by SEK 131 M net after tax. In all other respects, the accounting principles are unchanged compared with those applied in the preceding year.

Consolidated accounts

Group coverage

The consolidated accounts include the Parent Company and all subsidiaries and associated companies.

Subsidiaries

Subsidiaries are companies in which the Parent Company directly or indirectly owns more than 50 percent of the voting rights or otherwise has a controlling influence. All subsidiaries are consolidated in accordance with the purchase method of accounting. The cost of an acquisition

comprises the fair value of the assets provided as payment plus any costs that can be directly attributed to the acquisition. The purchase method of accounting entails that the fair value of acquired identifiable net assets is established at the date of acquisition. If the acquired units are in need of restructuring measures, provisions are made for restructuring costs at the time of acquisition. The difference between the purchase price and the fair value of acquired identifiable net assets is recorded as goodwill or negative goodwill.

Profit generated by companies acquired during the financial year is recognized in the consolidated accounts from the date of acquisition. Profit generated by companies divested during the financial year is recognized in the consolidated accounts up to and including the date of divestment.

All inter-company transactions – expenses, revenues, receivables, liabilities and unrealized gains/losses – have been eliminated.

Discontinued operations

Discontinued operations comprise operations and assets that the Group has discontinued or has decided to fully or almost fully discontinue through divestment or distribution.

Translation of foreign subsidiaries

The Trelleborg Group applies the current method for the translation of foreign subsidiaries' income statements and balance sheets since most of the Group's subsidiaries have been classified as independent units. This means that all items in the income statements of subsidiaries are translated at the average exchange rate for the year, while all items in the balance sheet, with the exception of the net result for the year, are translated at the closing rate. Exchange differences arising upon translation, and realized and unrealized gains or losses after tax on financial instruments which constitute hedging of foreign net investments, do not affect profit but are recorded in shareholders' equity. The functional currency for the subsidiary in Turkey is EUR and the company thereby reports in this cur-

rency. The accounts are then translated into SEK using the current method. In the case of divestment of independently operated foreign operations, the accumulated exchange differences attributable to the operations are realized in the consolidated income statement.

Associated companies

Associated companies are companies in which the Parent Company directly or indirectly has a long-term holding corresponding to between 20 and 50 percent of the voting rights or otherwise has a significant ownership influence.

Holdings in associated companies are recorded in accordance with the equity method. Participation in the results of associated companies is shown at two levels in the consolidated income statement.

- Group participations in earnings of associated companies before tax, plus depreciation or reversal of any acquired surplus or deficit values, are included in consolidated operating earnings.
- The Group's share of the associated companies' tax expense is included in the Group tax expense.

Unrealized gains and losses are eliminated in proportion to the Group's participation in the associated company.

In the consolidated balance sheet, participations in associated companies are recorded as financial fixed assets. The consolidated residual value of the holding corresponds to the Group's share in the shareholders' equity of associated companies plus any residual value of surpluses or deficits arising in the acquisition analyses. Undistributed participations in the results of associated companies are recorded in shareholders' equity and included in restricted reserves.

Income tax

Income tax in the income statement includes both current tax and deferred tax. Tax is shown in the income statement except when an underlying transaction is recorded directly against shareholders' equity, in which case the related tax effect is recorded in shareholders' equity. Current tax is payable

or receivable tax for the current year. This also includes adjustment of current tax attributable to prior periods.

Deferred tax is calculated using the liability method based on temporary differences. Temporary differences are the differences between the carrying amount of assets and liabilities and the tax bases. Amounts are calculated based on how the temporary differences are expected to be reversed, and by applying the tax rates and tax rules enacted or substantially enacted at the balance sheet date. Temporary differences are not recognized in goodwill arising on consolidation or in differences attributable to investments in subsidiaries and associated companies since the Group can control the date when these temporary differences are reversed and they will not be reversed in the foreseeable future. Deferred tax assets pertaining to deductible temporary differences and loss carry-forwards are recognized only if it is probable that they will result in lower tax payments in the future.

Minority interest

Minority interest in profit for the year is shown in the consolidated income statement as a share of earnings after tax. In the balance sheet, minority interest in shareholders' equity of subsidiaries is recorded separately.

Segment reporting

The Group's operations are managed and reported primarily by business area and secondarily by geographic segment. Segments are consolidated in accordance with the same principles as for the Group. Inter-company sales are priced on market terms. For a description of the different segments, please see the Board of Directors' report.

Primary segments

The Group's business areas comprise assets and operations that supply products. These products are exposed to risks and opportunities which differ for each business area. The business areas are responsible for profits up to and including operating profit. Capital employed encompasses all fixed assets

including goodwill, as well as inventories and operating receivables, less operating liabilities including pension liabilities.

Where operations are transferred between business areas, comparative figures are adjusted accordingly.

Secondary segments

Geographic segments provide products within an economic environment that is exposed to risks and opportunities that vary between markets. For secondary segment reporting, operations have been subdivided into the Group's key geographic markets, which are the EU, the rest of Europe, North America and the rest of the world.

Net sales are reported according to customer location, while assets and investments are reported according to where they are physically located.

Other accounting and valuation principles

Fixed assets, long-term liabilities and provisions comprise amounts expected to be recovered or paid after more than 12 months from the balance sheet date. Current assets and current liabilities comprise amounts expected to be recovered or paid within 12 months of the balance sheet date. Assets, provisions and liabilities have been measured at cost, unless otherwise indicated.

Revenue recognition

Revenue from goods is recognized during the period in which the product is delivered and when all significant risks and benefits related to ownership have been transferred to the purchaser. Accordingly, the company no longer has any involvement related to ownership nor exercises any real control. Net sales are recognized net, after deduction of VAT and discounts, and at the actual value of what has been received or will be received.

Contract assignments and service assignments are reported in accordance with the percentage-of-completion method. Revenue is recognized when it is probable that the company will obtain the financial benefits related to the assignment and a reliable calculation can be made. The degree

of completion is determined on the basis of costs accrued in relation to total calculated costs. Anticipated losses are expensed immediately.

Interest income is allocated on a straight line basis for the duration of the holding.

Dividends are recorded when dividend entitlement is deemed as certain.

Other operating revenue and expenses

Other operating revenue and expenses include external rental revenue, income from the sale and scrapping of tangible fixed assets and tools. Exchange differences on operating receivables and payables are also recorded here.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Transaction costs for loans raised are recognized over the duration of the loan.

Impairment losses

If, at the balance sheet date, there is indication of impairment in the value of intangible or tangible fixed assets or of shares and participations in subsidiaries and associated companies, impairment testing is conducted to calculate the recoverable amount of the asset, defined as the higher of the net selling price and the asset's value in use. If the estimated recoverable amount of the asset is less than the carrying amount, an impairment loss is recognized. In calculating the asset's value in use, future cash flow is discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk related to the specific asset. For assets dependent on other assets generating cash flow, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. A reversal is made if there is a change in the recoverable amount, with the exception of impairment losses on goodwill.

Intangible and tangible fixed assets

Goodwill

Goodwill comprises the amount by which the acquisition cost exceeds the fair value of the Group's share of identifiable net as-

sets in the acquired company. Goodwill is amortized systematically based on estimated useful life. Goodwill arising in connection with company acquisitions that are in line with the company's explicit long-term strategic direction is estimated to have a useful life of 20 years.

Research and development

Expenditure pertaining to the development of new or significantly improved materials, products, processes or systems is capitalized if it is probable that the development will provide the company with future economic benefits.

Amortization is based on the estimated useful life, normally five years.

The majority of the Group's expenditure pertains to the development and maintenance of existing products, and is therefore expensed as it arises.

Research expenditure is expensed as it is incurred. Costs for the company's website are expensed since the website is of an advertising nature.

Other intangible fixed assets

Expenditure pertaining to acquired intangible fixed assets such as patents, trademarks and licenses are measured at cost less accumulated amortization and impairment losses. Subsequent expenditure pertaining to intangible fixed assets is capitalized only if it increases the future economic benefits. Other expenditure is expensed as it is incurred. Other intangible fixed assets are amortized over 5 to 10 years.

Tangible fixed assets

Tangible assets are measured at cost less accumulated depreciation according to plan and, where applicable, impairment losses.

Depreciation according to plan is based on the acquisition cost and is allocated over the asset's estimated useful life. Straight-line depreciation is applied. The following depreciation rates apply:

Land	0 percent
Buildings	1.5-6 percent
Machinery	5-33 percent
Tools and moulds	33 percent
Office equipment	10-20 percent

Subsequent expenditure

Subsequent expenditure that increases the asset's useful life is capitalized and depreciated over the useful life. Normal repair and maintenance costs are expensed as they are incurred.

Leasing

Lease contracts are classified as either financial leases or operating leases. Financial leases apply when the financial risks and benefits related to ownership are for all practical purposes transferred to the lessee. Reporting of financial leasing in the consolidated accounts entails that the fixed asset is capitalized as an asset in the balance sheet and the obligation to pay leasing fees in the future is recorded as a financial liability. At the start of the lease period, the asset and liability are recorded at the leased asset's fair value or at the present value of the minimum lease payments if this is lower. The fixed asset is depreciated according to plan, while lease payments are apportioned between interest and repayment of the debt.

In the case of operating leases, the lease fee is expensed as an operating cost over the term of the lease.

Financial instruments

Accounts receivable and accounts payable

Accounts receivable are initially reported at fair value and subsequently at accrued acquisition cost less impairment losses. Impairment losses are recognized for receivables when there is objective evidence that the Group will not receive the entire amount due in accordance with the original terms of the receivable. The size of the impairment loss is calculated as the difference between the recorded value of the receivable and the present value of estimated future cash flows. The impairment loss is recorded in the income statement. Accounts payable are measured at nominal amounts.

Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency are translated at the closing rate unless stated otherwise in the "Other financial

instruments” section below. All exchange differences are recorded in the income statement.

Other financial instruments

All financial instruments are recognized in the balance sheet, with the exception of derivatives that hedge forecast flows.

A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the contractual terms of the instrument.

A financial asset is derecognized when the rights included in the agreement are converted into cash, mature, or when the company loses control over them. A financial liability is derecognized when the conditions of the agreement are fulfilled or otherwise concluded. Interest-bearing securities acquired with the intention of being held to maturity are classified as financial assets and measured at cost. Interest-bearing financial liabilities are measured at amortized cost. Amortized cost is determined on the basis of the effective rate of interest calculated at the time of acquisition.

This means that surplus and deficit values are allocated as interest over the life of the instrument. Short-term investments are valued at the lower of cost and fair value on the balance sheet date. This measurement principle is applied to the short-term investment portfolio as a whole, meaning that the portfolio is measured at the lower of cost and fair value.

The Group has loans, foreign exchange forwards and currency options in foreign currencies to hedge investments in foreign subsidiaries. These loans and contracts are measured at cost in the relevant parent company. In the consolidated balance sheet, they are measured at the closing rate and exchange differences are recorded directly against shareholders’ equity after adjustment for the tax portion. Exchange differences are recognized in the income statement when the investment is sold. The Group has loans in foreign currency to certain subsidiaries where the loans represent a permanent element of the Parent Company’s financing of the subsidiary. The loan is measured at the transaction

rate prevailing in the Parent Company when the loan was issued. The loan is then converted in the consolidated accounts at the closing rate and any exchange differences are included in consolidated shareholders’ equity.

Holdings of financial derivatives comprise interest rate and currency swaps, FRAs and foreign exchange forwards, and interest rate and currency options. Derivatives are classified either as hedging instruments or as held for trading. At the portfolio level, financial instruments held for trading are measured at the lower of cost and fair value. Fair value is determined on the basis of official market listings on the balance sheet date. Currency derivatives are translated at the closing rate in the same way as receivables and liabilities in foreign currency.

Financial instruments classified as hedging instruments are used for hedging assets, liabilities, net investments or forecast transactions. Hedges are designed in such a way that they can be presumed to be effective. Ineffective portions are expensed when the net of the change in value of the hedging instrument and the hedged item is negative.

Interest rate risk is hedged through interest rate swaps. Amounts payable or receivable in connection with interest rate swaps are recorded continuously as interest income or interest expense.

To hedge assets or liabilities against currency risks, foreign exchange forwards are used and accounted for in accordance with BFN R7. This means that the hedged asset or liability is measured at the exchange rate on the date on which the currency hedge is made. The difference between the forward rate and the current rate when the hedge is made is recognized as interest across the duration of the foreign exchange forwards. Gains and losses attributable to hedging instruments are recorded at the same time as gains and losses attributable to the hedged item.

Foreign exchange forwards used to hedge forecast flows are not recognized in the balance sheet. Changes in the value of the forwards are recorded in the period in

which the forecast flow arises. Since at most 75 percent of the forecast flow is hedged, the type of ineffectiveness that should be recognized in the income statement never occurs.

Exchange differences pertaining to operating activities are included in operating earnings, while exchange differences pertaining to interest-bearing financial items are recorded as financial income and expense.

Inventories

Inventories are valued at the lower of cost and net realizable value on the balance sheet date. Cost is calculated according to the first in/ first out (FIFO) principle. For products manufactured in-house, cost consists of direct production costs and a reasonable proportion of production overheads. Normal capacity utilization is taken into account in the measurement of inventories. Borrowing costs are not included. The net realizable value is calculated as the estimated selling price less estimated costs for completion and estimated costs necessary to achieve a sale. Deductions are made for internal profits generated through inter-company sales.

Costs in connection with new share issues and acquisition of treasury shares

Costs arising in connection with new share issues and the acquisition of treasury shares are entered directly as shareholders’ equity.

The redemption of convertibles and exercise of warrants entail the issue of new shares, while the exercise of call options may involve the use of existing treasury shares.

Provisions

Provisions are recorded when the Group has a legal or informal obligation resulting from past events and it is probable that payment will be demanded to meet the obligation and that the amount can be calculated in a reliable manner.

The provision for restructuring mainly covers costs relating to severance pay and other costs affecting cash flow that arise in conjunction with restructuring the Group’s operations.

No provisions are made for future operating losses.

Shareholders' contribution and Group contribution

Shareholders' contributions are added to shares and participations in the balance sheet. Impairment testing is subsequently conducted.

Group contributions are provided to minimize the Group's tax expense. Group contributions are reported directly against shareholders' equity, after adjustment for current tax.

Government grants

Government grants are recorded when it is probable that the terms associated with the grants will be met and that the grants will be received. Government grants relating to assets reduce their cost. Government grants providing compensation for costs are reported systematically over the same period as the costs to be compensated.

Employee benefits

Pension obligations

A number of defined-contribution pension plans and defined-benefit pension plans are applied within the Group. A small number of these have plan assets. The pension plans are normally financed through contributions from the particular Group company and from the employees.

The pension expense for defined-benefit plans is calculated using the Projected Unit Credit Method, which allocates the cost over the employee's period of service. The calculations are undertaken by actuaries, who also annually reassess the value of the pension obligations. These assumptions are based on the present value of future pension payments and are calculated using a discount rate corresponding to the interest on first-class corporate bonds or government bonds with a remaining maturity that more or less matches that of the pension obligations. For funded pension plans, the fair value of plan assets reduces the calculated pension obligation. Funded plans with net assets, that is, where the assets exceed the obligations, are reported

as financial assets. Actuarial gains and losses outside of the 10-percent "corridor" are recognized over the average remaining period of service of employees participating in the plan. Some of the ITP plans in Sweden are financed through insurance premiums paid to Alecta. This is a plan encompassing several employers. For the 2004 financial year, Trelleborg did not have access to information to enable it to report this plan as a defined-benefit plan and, consequently, it was accounted for as a defined-contribution plan.

The Group's pension payments pertaining to defined-contribution plans are expensed in all functions in the income statement during the period when the employees carried out the service to which the contribution refers.

Other post-employment benefits

Certain Group companies, primarily in the US, provide post-retirement medical care benefits for their employees. Entitlement to these benefits normally requires that the employee remains in service until retirement and has worked for the company for a specific number of years. The anticipated cost of these benefits is recognized over the period of service through the application of an accounting method similar to that used for defined-benefit pension plans. This cost is assessed annually by an actuary.

Related party transactions

The Group's transactions with related parties pertain to purchases and sales to associated companies. All transactions are priced in accordance with market terms and prices.

Cash flow

The cash flow statement is prepared in accordance with the indirect method. Liquid funds include cash and bank balances as well as all short-term investments that mature within three months.

New accounting principles from January 1, 2005

Effective January 1, 2005, the Trelleborg Group will apply the EU-approved International Financing Reporting Standards (IFRS). The most significant changes are:

- No goodwill amortization is undertaken. Instead, annual impairment testing is conducted to check that the reported value of assets does not exceed the recoverable amount, in which case an impairment loss is made.
- In conjunction with company acquisitions, it is not permitted to make provisions for restructuring measures that do not affect the income statement.
- Contingent liabilities in the acquired company must be entered as liabilities at the amount expected to be realized.
- Changes in the regulations on hedge accounting.

Financial statements

Consolidated income statement

SEK M	Note	2004	2003
Continuing operations			
Net sales	1	22,912	17,960
Cost of goods sold		-16,963	-13,672
Gross profit		5,949	4,288
Selling expenses		-2,115	-1,563
Administrative expenses		-2,227	-1,473
R&D costs		-478	-412
Other operating revenue	5	361	336
Other operating expenses	5	-135	-156
Restructuring costs/impairment losses	4	-536	-
Profit from participations in associated companies	6	60	32
Operating profit	2,3,7,8	879	1,052
Financial income and expense	9	-287	-141
Profit after financial items		592	911
Tax	10	-246	-308
Minority interest in profit for the year	11	-14	-18
Net profit		332	585
Divested operations			
Profit participation in Trenor before tax	6	55	156
Profit from divestment of Trenor		620	-
Operating profit		675	156
Profit from shares in Boliden	9	-	24
Profit after financial items		675	180
Tax	10	-19	-63
Net profit		656	117
Total operating profit		1,554	1,208
Total profit after financial items		1,267	1,091
Total net profit		988	702

Earnings per share, SEK	2004	2003
<i>Continuing operations</i>		
Earnings	3.65	7.00
Diluted earnings ²⁾	3.65	6.80
Earnings excluding restructuring costs/impairment losses	8.05	7.00
Earnings excluding restructuring costs/impairment losses and goodwill amortization	12.40	9.40
<i>Total</i>		
Earnings	11.20	8.40
Diluted earnings ²⁾	11.20	8.15
Earnings excluding goodwill amortization ¹⁾	15.60	10.80
Dividend ³⁾	5.00	4.50

Number of shares		
Average	88,315,113	83,701,750
Average, after dilution	88,326,738	87,276,490

1) Net earnings have been adjusted for goodwill amortization, net, after tax, SEK M. 388 202

2) Net earnings have been adjusted for interest, net, after tax, SEK M. 1 8

3) In accordance with Board's and President's proposal.

Comments on the income statement

Consolidated net sales amounted to SEK 22,912 M (17,960). The change from the preceding year can be broken down as follows:

Organic growth (volume/price/mix)	+3%
Changes in Group structure	+27%
Exchange rate movements	-2%
	+28%

The Group divested its 49-percent interest in the Trenor Group during the year. Earnings up until the divestment date and the capital gain from the sale are reported under the heading "Divested operations."

The continuing operations generated an operating profit of SEK 879 M (1,052). Earnings were charged with costs of SEK 536 M relating to restructuring measures and impairment losses.

The operating profit also includes SEK 403 M (219) in goodwill amortization.

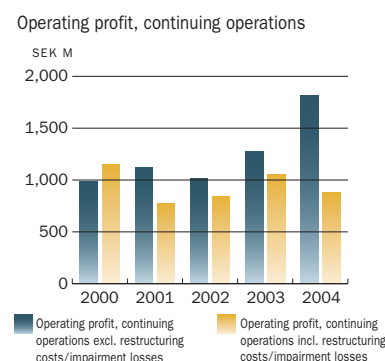
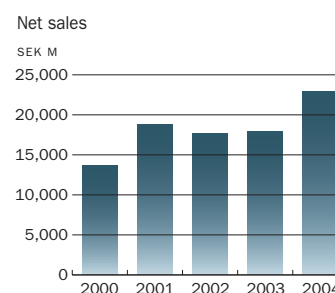
Operating profit for continuing operations excluding goodwill amortization and restructuring costs/impairment losses amounted to SEK 1,818 M (1,271).

The financial expense for continuing operations was SEK 287 M (expense: 141). Net interest amounted to 3.2 percent of the average net debt during the year.

There are plans to raise a new syndicated loan in early 2005. The planned refinancing meant that capitalized expenditure relating to current syndicated loans was expensed in an amount of SEK 17.7 M in 2004 (fourth quarter).

Administrative costs for financial operations affected the financial net by SEK 16 M (16). However, this was offset by a surplus of SEK 21.6 M from proprietary trading in interest-rate and foreign exchange instruments.

The Group's total tax expense was 21 percent (34). The lower tax rate compared with 2003 is mainly due to the effect of the tax-free capital gain from the divestment of Trenor.



Continuing operations excluding goodwill amortization and restructuring costs/impairment losses

SEK M	2004	2003
Operating profit	1,818	1,271
Profit after financial items	1,531	1,130
Net profit	1,097	788

Income statement per quarter

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2004	2003	2004	2003	2004	2003	2004	2003
Net sales	5,815	4,289	6,108	4,342	5,460	3,978	5,529	5,351
Operating profit/loss	406	232	1,009	297	293	271	-154	408
Profit/loss after financial items	322	223	936	277	221	251	-212	340
Net profit/loss	198	141	810	176	137	165	-157	220

Continuing operations excluding goodwill amortization and restructuring costs/impairment losses

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2004	2003	2004	2003	2004	2003	2004	2003
Operating profit	480	254	520	313	393	261	425	443
Profit after financial items	396	233	447	286	321	236	367	375
Net profit	276	153	307	183	232	166	282	286

Financial statements

Consolidated balance sheet

December 31, SEK M	Note	2004	2003
ASSETS			
<i>Fixed assets</i>			
Intangible fixed assets	12	6,804	7,154
Tangible fixed assets	13	5,399	5,778
Financial assets	14-17	147	663
Deferred tax assets	18	749	547
Total fixed assets		13,099	14,142
<i>Current assets</i>			
Inventories	19	2,826	2,715
Current receivables	20,21	5,106	4,800
Tax assets		260	200
Interest-bearing receivables	22	33	–
Short-term investments	22	1	202
Cash and bank balances		474	797
Total current assets		8,700	8,714
TOTAL ASSETS		21,799	22,856
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
<i>Shareholders' equity</i>	23		
<i>Restricted equity</i>			
Share capital		2,400	2,287
Restricted reserves		1,225	2,025
Total restricted equity		3,625	4,312
<i>Non-restricted equity</i>			
Non-restricted reserves		3,505	2,438
Net profit for the year		988	702
Total non-restricted equity		4,493	3,140
Total shareholders' equity		8,118	7,452
Minority interests	11	128	152
<i>Provisions</i>			
Provision for pensions and similar	25	801	588
Provision for deferred tax	18	103	85
Other provisions	24	530	584
Total provisions		1,434	1,257
<i>Long-term liabilities</i>			
Interest-bearing long-term liabilities	26,27	7,150	9,359
Other long-term liabilities	28	44	60
Total long-term liabilities		7,194	9,419
<i>Current liabilities</i>			
Interest-bearing current liabilities	26	310	244
Tax liability		358	349
Other current liabilities	28,29	4,257	3,983
Total current liabilities		4,925	4,576
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		21,799	22,856
Contingent liabilities	30	208	412
Pledged assets	30	37	177

Comments on the consolidated balance sheet

The Group's total assets amounted to SEK 21,799 M (22,856). The decline is attributable to currency effects, a reduction in fixed assets through goodwill amortization of SEK 403 M, impairment losses in connection with restructuring projects and the divestment of the Trenor Group.

Gross investments for the year excluding acquired units amounted to SEK 1,011 M (687), corresponding to 120 percent (102) of depreciation excluding goodwill amortization.

Cash and bank balances amounted to SEK 474 M (797)

Shareholders' equity amounted to SEK 8,118 M at year-end. The opening balance for shareholders'

equity was adjusted downward by SEK 131 M in conjunction with the transition to accounting for pension liabilities in accordance with RR 29. The issue of new shares in connection with conversion of loans and exercise of warrants and call options contributed new capital of SEK 375 M. A total dividend of SEK 396 M was paid to shareholders. The net of translation differences arising upon conversion of foreign subsidiaries into SEK and exchange-rate differences on instruments used to hedge these investments affected Group shareholders' equity by a negative amount of SEK 170 M.

Provisions for pensions and similar rose by SEK 213 M to SEK 801 M. Of this increase, SEK 199 M was attributable to the transition to reporting in accordance with RR29.

Other provisions amounted to SEK 530 M. Provisions for restructuring measures within the tire operations, other operations on the Trelleborg site and within Trelleborg Automotive amounted SEK 223 M, of which SEK 30 M affected the cash flow for the year. At year-end, provisions for these projects totaled SEK 184 M.

Interest-bearing liabilities amounted to SEK 7,460 M (9,603), of which SEK 310 M (244) were current liabilities. Net liabilities at year-end amounted to SEK 6,951 M.

Interest-bearing financial assets and liabilities

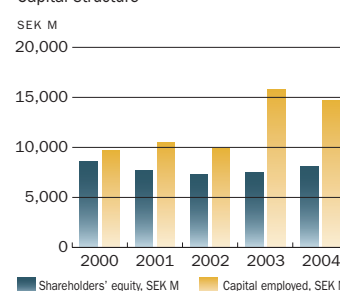
SEK M	2004	2003
Long-term interest-bearing investments	1	157
Current interest-bearing assets	33	0
Liquid funds	475	999
Total interest-bearing assets	509	1,156
Interest-bearing long-term liabilities	-7,150	-9,359
Interest-bearing current liabilities	-310	-244
Total interest-bearing liabilities	-7,460	-9,603
Net debt	-6,951	-8,447
Change in net debt:		
Net debt at January 1	-8,447	-2,962
Net cash flow for the year	1,059	-5,870
Convertible debentures	206	54
Pension liability	-	238
Change in interest-bearing assets not affecting cash flow	10	-
Exchange rate differences	221	93
Net debt at December 31	-6,951	-8,447

Change in shareholders' equity – Group

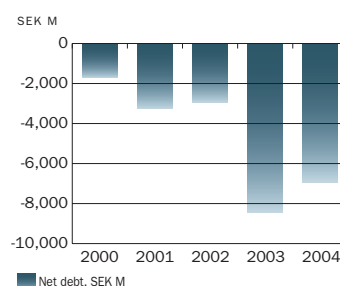
Shareholders' equity SEK M	Restricted equity		Non-restricted equity		Total	
	2004	2003	2004	2003	2004	2003
Opening balance, January 1	4,312	4,163	3,140	3,121	7,452	7,284
Adjustment of opening balance in accordance with RR29			-131		-131	
Changes for the year						
Transfer between restricted and non-restricted equity	-939	310	939	-310		
Dividend			-396	-355	-396	-355
New share issue in connection with loan conversion	207	54			207	54
New share issue in connection with exercise of warrants	89	3			89	3
Option premium	-	8			-	8
Share buybacks during the year				-19	-	-19
Transfer of own shares at exercise of call options			79	1	79	1
Net profit for the year			988	702	988	702
Translation difference for the year	-167	-408	-126		-293	-408
Exchange-rate difference for the year on hedging instruments after tax	123	182			123	182
Closing balance, December 31	3,625	4,312	4,493	3,140	8,118	7,452

See also Note 23.

Capital structure



Net debt



Financial statements

Consolidated cash flow statement

SEK M	2004	2003
<i>Operating activities</i>		
Operating profit	1,554	1,208
<i>Adjustment for items not included in cash flow</i>		
Income from divestment of Trenor	-620	-
Amortization of intangible fixed assets	437	233
Depreciation of tangible fixed assets	808	662
Impairment losses	313	-
Provisions for restructuring costs	223	-
Non-distributed share of profit in associated companies	-63	-188
	2,652	1,915
Interest received and other financial items	31	305
Interest paid and other financial items	-319	-188
Tax paid	-379	-135
Cash flow from operating activities before changes in working capital	1,985	1,897
<i>Cash flow from changes in working capital</i>		
Change in inventories	-146	-67
Change in operating receivables	-289	447
Change in operating liabilities	186	-576
Utilization of restructuring reserves	-30	-19
Cash flow from operating activities	1,706	1,682
<i>Investing activities</i>		
Acquired units ¹⁾	-346	-6,141
Restructuring measures in acquired units	-248	-207
Divested units ²⁾	1,097	-
Gross investments in tangible and intangible fixed assets	-1,011	-687
Sale of fixed assets	91	184
Cash flow from investing activities	-417	-6,851
<i>Financing activities</i>		
Change in interest-bearing investments	133	18
Change in interest-bearing liabilities	-1,705	6,103
Dividend paid	-396	-355
Dividend to minority	-2	-27
New share issue in connection with exercise of warrants	89	3
Transfer of own shares at exercise of call options	79	1
Buyback of own shares	-	-19
Cash flow from financing activities	-1,802	5,724
Cash flow for the year	-513	555
Liquid funds, January 1	999	485
Exchange-rate difference in liquid funds	-11	-41
Liquid funds, December 31	475	999
<i>1) Acquired units</i>		
Fixed assets	180	6,133
Working capital	137	312
Minority share	29	-
Liquid funds	31	567
Interest-bearing liabilities	-	-304
Purchase sum paid	377	6,708
Liquid funds in acquired companies	-31	-567
Effect on Group liquid funds	346	6,141
<i>2) Divested units</i>		
Fixed assets	397	0
Provision	80	0
Income from divestment of Trenor	620	0
Effect on Group liquid funds	1,097	0

Comments on the consolidated cash flow statement

Operating cash flow before gross investments and divestment of fixed assets amounted to SEK 2,403 M (1,719).

After deduction for net investments totaling SEK 920 M (590), expenditure of SEK 278 M (226) related to restructuring measures, and payment of SEK 288 M (+117) pertaining to financial items and SEK 379 M (135) relating to taxes, free cash flow amounted to SEK 538 M (885), corresponding to SEK 6.05 (11.30) per share.

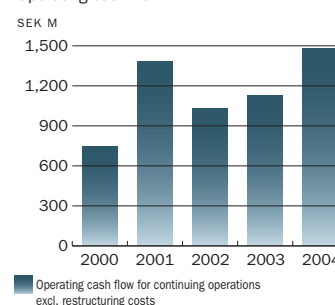
Gross investments in tangible fixed assets amounted to SEK 841 M (572), corresponding to 104 percent (86) of the depreciation amount on tangible fixed assets.

Working capital rose by SEK 249 M (197) during the year. The greatest increase, equivalent to SEK 165 M (14), was attributable to Trelleborg Automotive and was the result of a temporary increase in inventories and capitalized development expenditure on behalf of customers.

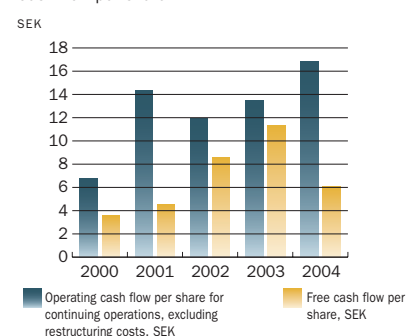
An efficiency-enhancement program initiated within Wheel Systems during the beginning of the year has generated positive effects, reducing working capital in the business area by SEK 7 M despite significant sales growth during the year.

The exercise of warrants and call options resulted in an increase of 2,269,006 in the number of outstanding shares and generated net cash proceeds of SEK 168 M.

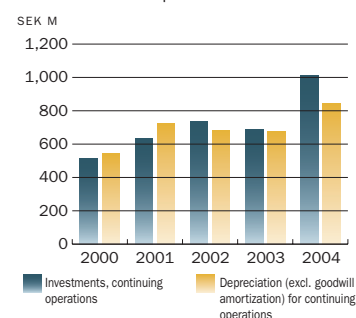
Operating cash flow



Cash flow per share



Investments and depreciation



Cash flow report

2004	EBITDA excl. non-distributed profit from participations in associated companies		Gross investments		Sold fixed assets		Change in working capital		Total cash flow	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
SEK M										
Trelleborg Automotive	1,015	1,076	-546	-393	36	71	-165	-14	340	740
Trelleborg Sealing Solutions	856	166	-224	-34	16	-1	-69	-51	579	80
Trelleborg Engineered Systems	419	350	-104	-91	6	4	-29	-29	292	234
Trelleborg Wheel Systems	291	255	-71	-113	30	4	7	-137	257	9
Trelleborg Building Systems	261	226	-55	-53	1	3	11	36	218	212
Other companies	-3	-5			2	10	-2	-10	-3	-5
Group items	-187	-152	-11	-3		6	-2	8	-200	-141
Operating cash flow	2,652	1,916	-1,011	-687	91	97	-249	-197	1,483	1,129
Acquisitions									-346	-6,445
Divestments									1,097	87
Provisions for restructuring measures in acquired units									-248	-207
Other restructuring measures									-30	-19
Dividend to shareholders									-396	-355
Dividend to minority owners									-2	-27
Exercise of warrants and call options									168	4
Buyback of own shares									-	-19
Financial items									-288	117
Tax									-379	-135
Total net cash flow									1,059	-5,870

Financial statements

Parent Company income statement and cash flow statement

INCOME STATEMENT

SEK M	Note	2004	2003
Administrative expenses	31–32, 34, 46	–281	–221
Other operating revenue	33	151	130
Other operating expenses	33	–11	–8
Operating profit/loss		–141	–99
Financial income and expense	35	3,416	562
Profit after financial items		3,275	463
Tax	36	–111	–98
Net profit		3,164	365

CASH FLOW STATEMENT

SEK M	Note	2004	2003
<i>Operating activities</i>			
Operating profit/loss		–141	–99
<i>Adjustment for items not included in cash flow</i>			
Depreciation/amortization		1	1
Gain on sale of fixed assets		0	3
Impairment loss on receivable		7	0
		–133	–95
Cash dividend received		823	109
Financial income		495	580
Financial expense		–177	–75
Tax paid		0	0
Cash flow from operating activities before changes in working capital		1,008	519
<i>Cash flow from changes in working capital</i>			
Change in inventories		3	0
Change in operating receivables		–43	–82
Change in operating liabilities		18	11
Cash flow from operating activities		986	448
<i>Investing activities</i>			
Acquisition of subsidiaries/capital contribution		–571	–1,743
Divestment of subsidiaries		–	6
Investment in tangible fixed assets		–2	–1
Sale of tangible fixed assets		0	13
Cash flow from investing activities		–573	–1,725
<i>Financing activities</i>			
Change in financial investments		–542	–4,079
Change in financial liabilities		–29	6,074
Buyback of own shares		–	–19
Transfer of own shares at exercise of call options		79	1
New share issue in connection with exercise of warrants		89	3
Dividend paid		–396	–355
Cash flow from financing activities		–799	1,625
Cash flow for the year		–386	348
Liquid funds, January 1		402	54
Liquid funds, December 31 ¹⁾		16	402
<i>1) Liquid funds:</i>			
Cash and bank balances		16	202
Short-term investments		–	200
Total at year-end		16	402

Parent Company balance sheet

BALANCE SHEET

December 31, SEK M	Note	2004	2003
ASSETS			
<i>Fixed assets</i>			
Tangible fixed assets	37	11	10
Financial assets	38–40	16,880	15,999
Total fixed assets		16,891	16,009
<i>Current assets</i>			
Inventories	41	1	4
Current receivables	42–43	5,265	2,802
Short-term investments	44	–	200
Cash and bank balances		16	202
Total current assets		5,282	3,208
TOTAL ASSETS		22,173	19,217
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
<i>Shareholders' equity</i>	45		
Restricted equity			
Share capital		2,400	2,287
Share premium reserve		226	44
Statutory reserve		904	904
Total restricted equity		3,530	3,235
<i>Non-restricted equity</i>			
Profit brought forward		1,107	1,092
Net profit for the year		3,164	365
Total non-restricted equity		4,271	1,457
Total shareholders' equity		7,801	4,692
<i>Provisions</i>			
Provision for pensions and similar	46	4	5
Other provisions	47	–	3
Total provisions		4	8
<i>Long-term liabilities</i>			
Interest-bearing long-term liabilities	48	13,437	13,485
Total long-term liabilities		13,437	13,485
<i>Current liabilities</i>			
Interest-bearing current liabilities	48	635	813
Other current liabilities	49–50	296	219
Total current liabilities		931	1,032
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		22,173	19,217
Contingent liabilities	51	631	727
Pledged assets	51	–	154

Change in shareholders' equity – Parent Company

Shareholders' equity SEK M	Restricted equity		Non-restricted equity		Total	
	2004	2003	2004	2003	2004	2003
Opening balance, January 1	3,235	3,184	1,457	1,538	4,692	4,722
Changes for the year						
Transfer between restricted and non-restricted equity	–1	–14	1	14		
Dividend			–396	–355	–396	–355
New share issue in connection with loan conversion	207	54			207	54
New share issue in connection with exercise of warrants	89	3			89	3
Option premium		8			–	8
Share buybacks during the year				–19	–	–19
Transfer of own shares at exercise of call options			79	1	79	1
Group contribution			–34	–87	–34	–87
Net profit for the year			3,164	365	3,164	365
Closing balance, December 31	3,530	3,235	4,271	1,457	7,801	4,692

See also Note 45.

NOTES TO THE CONSOLIDATED ACCOUNTS

Note 1

Segment reporting

Primary segments

Net sales and operating profit by operating segment

	2004					2003				
	External	Net sales Internal	Total	Operating profit/loss	Of which, profit in associated companies	External	Net sales Internal	Total	Operating profit/loss	Of which, profit in associated companies
SEK M										
Trelleborg Automotive	9,172	10	9,182	271	54	8,712	9	8,721	622	31
Trelleborg Sealing Solutions	4,981	28	5,009	445	3	1,194		1,194	61	1
Trelleborg Engineered Systems	3,773	188	3,961	147		3,449	115	3,564	200	
Trelleborg Wheel Systems	2,773	160	2,933	-49		2,554	150	2,704	119	
Trelleborg Building Systems	2,213	44	2,257	173	3	2,045	8	2,053	147	
Other operations				-108		6	-6		-97	
Divested operations				675	55				156	156
Elimination of inter-company sales		-430	-430				-276	-276		
Group	22,912	0	22,912	1,554	115	17,960	0	17,960	1,208	188

Assets and liabilities by operating segment

	2004								2003							
	Operating assets	Operating liabilities	Capital employed	Of which, participations in associated companies	Invest- ments	Depre- ciation	Write- downs	Operating cash flow	Operating assets	Operating liabilities	Capital employed	Of which, participations in associated companies	Invest- ments	Depre- ciation	Write- downs	Operating cash flow
SEK M																
Trelleborg Automotive	7,176	2,127	5,049	99	546	477	137	340	7,024	2,097	4,927	125	393	450	-	740
Trelleborg Sealing Solutions	6,789	897	5,892	10	224	394		579	6,998	1,015	5,983	9	34	101	-	80
Trelleborg Engineered Systems	2,606	884	1,722		104	154	60	292	2,673	802	1,871		91	136	-	234
Trelleborg Wheel Systems	2,058	752	1,306		71	129	116	257	2,266	707	1,559		113	126	-	9
Trelleborg Building Systems	1,260	420	840	12	55	81		218	1,236	364	872	8	53	71	-	212
Other operations	346	235	111		11	10		-203	325	80	245		3	11	-	-146
Divested operations									353		353					
Provisions for restructuring measures		184	-184													
Elimination of inter-company operating liabilities/receivables	-31	-31							-35	-35						
Group	20,204	5,468	14,736	121	1,011	1,245	313	1,483	20,840	5,030	15,810	495	687	895	-	1,129

To achieve comparability, historical data has been adjusted with respect to relocation of operations from Trelleborg Sealing Solutions to Trelleborg Engineered Systems and Trelleborg Building Systems, and from Trelleborg Engineered Systems to Trelleborg Building Systems. The business areas have been charged with Groupwide costs equivalent to 0.4% of external sales. This does not affect the reported cash flows. Historical data has also been adjusted for comparison purposes.

Secondary segments

External net sales by geographic market

SEK M	2004		2003	
	2004	2003	2004	2003
EU	15,675	12,080		
Rest of Europe	755	549		
North America	4,185	3,651		
Other markets	2,297	1,680		
Group	22,912	17,960		

Assets by geographic market

SEK M	Operating assets		Investments	
	2004	2003	2004	2003
EU	16,012	16,414	771	540
Rest of Europe	252	230	25	8
North America	2,880	3,165	103	63
Other markets	1,323	1,246	112	76
Elimination	-263	-215		
Group	20,204	20,840	1,011	687

The figures for 2003 are adjusted for comparability following the enlargement of the EU.

Net sales*

By geographic market

SEK M	2004	2003
Sweden	1,881	1,474
France	3,163	2,800
Italy	1,267	826
Spain	1,090	867
UK	2,101	1,414
Germany	3,573	2,626
Other EU countries	2,600	2,073
Total EU countries	15,675	12,080
Rest of Europe	755	549
USA	3,564	3,113
Other North and South American countries	1,354	1,093
Other regions	1,564	1,125
Total	22,912	17,960

*Net sales pertain to sale of goods.

In the translation of foreign subsidiaries, changes in exchange rates compared with 2003 affected sales negatively by 1.9% and operating profit negatively by 0.6%.

The trend in key currencies was as follows:

	2004		2003	
	Average rate	Year-end rate	Average rate	Year-end rate
EUR	9,1268	9,0163	9,1246	9,1033
USD	7,3496	6,6138	8,0865	7,2763
GBP	13,456	12,7163	13,1933	12,9188

Note 2

Employees and costs

Average number of employees	2004			2003		
	Women	Men	Total	Women	Men	Total
Sweden	840	1,718	2,558	632	1,450	2,082
France	709	2,239	2,948	626	2,127	2,753
Italy	243	1,038	1,281	76	659	735
Spain	286	1,116	1,402	271	1,078	1,349
UK	512	1,892	2,404	300	1,148	1,448
Germany	279	1,000	1,279	156	789	945
Other EU countries	856	2,247	3,103	138	665	803
Total EU countries	3,725	11,250	14,975	2,199	7,916	10,115
Rest of Europe	82	363	445	268	422	690
USA	748	1,616	2,364	593	1,317	1,910
Brazil	88	660	748	75	584	659
Other North and South American countries	405	558	963	147	335	482
China	159	444	603	148	435	583
Sri Lanka	30	661	691	31	626	657
Other regions	159	727	886	129	630	759
Total	5,396	16,279	21,675	3,590	12,265	15,855

The proportion of women in top management positions is 7% (7) and on the Board of Directors 18% (18).

Salaries, other remuneration and social security expenses

SEK M	2004		2003	
	Salaries and other remuneration	Salaries and other remuneration	Salaries and other remuneration	Salaries and other remuneration
Sweden	774	637		
France	790	755		
Italy	424	262		
Spain	316	314		
UK	721	439		
Germany	578	357		
Other EU countries	612	286		
Total EU countries	4,215	3,050		
Rest of Europe	132	135		
USA	878	712		
Brazil	65	42		
Other North and South American countries	129	88		
China	24	19		
Sri Lanka	13	15		
Other regions	150	112		
Total	5,606	4,173		

Of which:

to Board and Presidents, including variable salary	108	87
to other members of Group Management	25	22

	2004		2003	
	Social security expenses	Of which, pension costs	Social security expenses	Of which, pension costs
Group total	1,417	203	1,092	144

A complete list is appended to the Annual Report filed with the Swedish Patent and Registration Office. The figures for 2003 are adjusted for comparability following the enlargement of the EU.

During 2004, remuneration of SEK 600,000 (450,000) was paid to the Chairman. The other five Board members elected by the Annual General Meeting and who are not employees of the Group received a total of SEK 1,125,000 (900,000), equivalent to SEK 225,000 each. Accordingly, total compensation to the Board amounts to SEK 1,725,000 (1,350,000). No consulting fees or other Board fees beyond that decided by the Annual General Meeting were paid.

The President, who is also the Chief Executive Officer, received a fixed salary, variable salary and other compensation totaling SEK 9,322,000 (7,116,000). Variable salary accounted for SEK 3,167,000 (1,533,000) of this total. The variable salary has an established upper limit, maximum SEK 4 M, equivalent to 65 percent of the Trelleborg Group's pretax profit, and to 35 per cent of the Group's profit after tax, in both cases excluding the effect of structural changes approved by the Board. Variable salary constitutes pensionable income. In addition, there is a variable salary agreement with an established upper limit based on the share-price trend for 2002-2004, subscribed for in 2002 and with an initial value of SEK 85 per share.

The final outcome will be calculated in April 2005, based on the average price of the Trelleborg share during the first quarter of 2005. The net profit for the year was charged with SEK 2,812,000, based on a preliminary calculation using an average share price of SEK 112.11 (the average price of Trelleborg shares in December 2004). The outcome does not constitute pensionable income.

In accordance with an agreement, the President has the right to retire at age 60 with compensation amounting to 60 percent of normal salary between the age of 60-65, when a premium-based occupational pension is paid. Pension premiums of SEK 3,555,000 (3,019,000) have been expensed for this purpose. The President's employment contract stipulates that termination of employment announced by the company shall be subject to a period of notice of 24 months. This clause does not apply if termination is initiated by the President, in which case a period of notice of six months shall apply.

The principles for compensating other senior executives (Group management except the President, see page 79) are based on both a fixed and variable salary. The variable part has an established upper limit and accounts for about 25-30 percent of total salary, based mainly on the earnings trend. Some of these executives hold agreements specifying mutual rights to request early retirement from age 60 or 62. In this case, compensation normally amounting to 60 percent of regular salary is paid until age 65, when the regular retirement pension payments become effective. For these individuals, extended notice of termination periods apply when initiated by the company – normally 12, 18 or 24 months.

For the President and other senior executives, a company car is available free of charge.

During 2000, an annually recurring call-option program was introduced for senior executives within the Group. The program was in effect during 2000, 2001 and 2002 and is irrevocable. In 2004, the program was not renewed, and, accordingly, no call options were allocated.

Please refer to the section on the Trelleborg Share on pages 8-9 for additional information about the Group's call-option program. For the number of call options per senior executive, refer to the section on Group Management on page 83. With respect to Remunerations Committees composition and work, refer to page 80.

Note 3

Auditors' fees and reimbursements

SEK M	2004	2003
<i>PricewaterhouseCoopers</i>		
Audit assignment	22	1
Other assignments	4	
<i>KPMG</i>		
Audit assignment	3	16
Other assignments	4	26
<i>Other auditors</i>		
Audit assignment	1	1
Other assignments	1	2
Total	35	46

Other assignments pertain primarily to due diligence expenses incurred in connection with company acquisitions.

Note 4

Restructuring costs and impairment losses

SEK M	2004	2003
Restructuring costs and impairment losses within Trelleborg Automotive:		
– Logansport	–54	–
– Breuberg, etc.	–179	–
Relocation of tire operations in Trelleborg	–200	–
Measures related to the Trelleborg site and mixing operations	–103	–
Total	–536	–

Fixed assets have been written down to their estimated value in use.

Note 5

Other operating revenue and expenses

SEK M	2004	2003
Rental revenue	29	32
Exchange-rate differences	41	24
Sale of tools, etc.	100	100
Sale of services	36	51
Relocation grant	20	–
Other	135	129
Total other operating revenue	361	336
Royalties	–9	–11
Operating costs for rental operations	–41	–44
Relocation costs	–29	–
Exchange-rate differences	–40	–36
Other	–16	–65
Total other operating expenses	–135	–156
Total	226	180

Note 6

Profit from participations in associated companies

SEK M	Profit after financial items		Net profit		Dividend received	
	2004	2003	2004	2003	2004	2003
Trenor Holding AB	55	156	37	93	–	–
Other associated companies	60	32	36	19	52	–
Total	115	188	73	112	52	–

SEK M	Receivables from associated companies		Liabilities to associated companies		Sales to associated companies		Operating revenue from associated companies	
	2004	2003	2004	2003	2004	2003	2004	2003
Trenor Holding AB	–	2	–	0	–	11	–	–
Other associated companies	6	2	11	1	70	98	51	51
Total	6	4	11	1	70	109	51	51

Note 7

Planned depreciation of intangible and tangible fixed assets

SEK M	2004	2003
Capitalized expenditure for development and similar work	-25	-7
Concessions, patents, licenses and trademarks	-9	-7
Tenancy rights and similar rights	0	0
Goodwill	-403	-219
Real estate	-94	-83
Plant and machinery	-587	-464
Equipment, tools, fixtures and fittings	-127	-115
Total	-1,245	-895
Total depreciation distributed by function		
Cost of goods sold	-822	-678
Selling expenses	-167	-78
Administrative expenses	-147	-83
R&D costs	-27	-26
Other operating expenses	-82	-30
Total	-1,245	-895
Goodwill amortization distributed by function		
Cost of goods sold	-369	-166
Sales and administrative expenses and other operating expenses	-34	-53
Total	-403	-219
Amortization of other intangible assets distributed by function		
Cost of goods sold	-2	-2
Sales and administrative expenses and other operating expenses	-32	-12
Total	-34	-14

Note 8

Government grants

SEK M	2004	2003
Contribution received	26	7
Total	26	7

Note 9

Financial income and expense

SEK M	2004	2003
<i>Income from other securities and receivables classified as fixed assets</i>		
Interest income	2	6
Exchange-rate differences	-5	-26
Dividend and other financial income	0	0
Total	-3	-20
<i>Other interest income and similar profit/loss items</i>		
Interest income	24	60
Exchange-rate differences	-97	-111
Gain/loss on sale of current financial assets	0	0
Total	-73	-51
<i>Interest expense and similar profit/loss items</i>		
Interest expense	-330	-198
Exchange-rate differences	122	131
Other	-3	-3
Total	-211	-70
Total financial income and expense	-287	-141
<i>Financial income and expense includes administrative expenses for treasury operations</i>		
	-16	-16
Income from shares held in Boliden	-	24

Note 10

Tax on profit for the year

SEK M	2004	2003
<i>Current tax expense</i>		
Tax expense for the period	-288	-139
Adjustment of tax attributable to prior years	-7	-36
Total	-295	-175
<i>Deferred tax expense</i>		
Utilization/revaluation of loss carry-forwards	30	-155
Deferred tax expense/revenue from changes in temporary differences	88	84
Total	118	-71
<i>Other taxes</i>		
Tax on participation in profit of associated companies	-46	-49
	-42	-76
Total reported tax expense in the Group	-265	-371
<i>Tax items reported directly against shareholders' equity</i>		
Deferred tax on hedging instruments	-18	0
<i>Reconciliation of effective tax, %</i>		
Swedish income tax, %	28	28
Effect of other tax rates for foreign subsidiaries, %	5	3
Amortization of goodwill, %	8	4
Non-deductible expense/non-taxable revenue, %	1	0
Tax-free capital gains, %	-15	-
Revaluation of loss carry-forwards/temporary differences, %	-10	-8
Tax attributable to prior years, %	0	1
Tax rate, %	17	28
Participation in profit of associated companies, %	0	2
Other taxes, %	4	4
Reported effective tax in Group	21	34

At year-end 2004, the Group had loss carry-forwards of approximately SEK 4,500 M (4,300), of which SEK 1,300 M (1,200) was taken into account when calculating deferred tax. Of the loss carry-forwards not taken into account, SEK 2,000 M pertains to cases where uncertainty exists regarding the tax value. Of loss carry-forwards, about SEK 52 M fall due within the next five-year period.

Note 11

Minority interest in equity and profit of subsidiaries

SEK M	Minority share in result for the year		Minority interest	
	2004	2003	2004	2003
Trelleborg Automotive Wuxi				
Vibration Insulators Co Ltd	-6	-13	82	84
Trelleborg Kunhwa Co Ltd	-6	-3	42	36
Eika Corp	-1	-1	-	28
Other companies	-1	-1	4	4
Total	-14	-18	128	152

Note 12

Intangible fixed assets

SEK M	2004	2003
Capitalized expenditure for development and similar work	277	100
Concessions, patents, licenses, trademarks and similar rights	26	28
Goodwill	6,500	6,987
Advance payments related to intangible fixed assets	1	39
Total	6,804	7,154

Distribution of goodwill amortization for the year and planned residual value

SEK M	Amortization		Planned residual value	
	2004	2003	2004	2003
Trelleborg Automotive	-103	-104	1,441	1,560
Trelleborg Sealing Solutions	-233	-57	4,131	4,436
Trelleborg Engineered Systems	-33	-24	468	498
Trelleborg Wheel Systems	-16	-16	207	225
Trelleborg Building Systems	-18	-18	253	268
Total	-403	-219	6,500	6,987

Most of the Group's acquisitions are regarded as strategic and are amortized over a period of 20 years.

SEK M	Capitalized development expenditure		Concessions, patents and licenses		Goodwill		Advance payments related to intangible fixed assets		Total intangible fixed assets	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Accumulated acquisition value	325	115	75	70	7,542	7,583	1	39	7,943	7,807
Accumulated depreciation according to plan	-47	-15	-49	-42	-1,042	-601			-1,138	-658
Accumulated impairment losses	-1					5			-1	5
Planned residual value	277	100	26	28	6,500	6,987	1	39	6,804	7,154
Balance, January 1	100	30	28	25	6,987	2,602	39		7,154	2,657
Acquisitions					68	4,785			68	4,785
Investments	138	73	3	4			29	38	170	115
Divestments and scrapping	-1	-1							-1	-1
Internal reallocations	70	6	4	6		12	-67	1	7	25
Amortization according to plan for the year	-25	-7	-9	-7	-403	-219			-437	-233
Impairment loss for the year	-2								-2	0
Translation difference for the year	-3	-1			-152	-193			-155	-194
Planned residual value	277	100	26	28	6,500	6,987	1	39	6,804	7,154

Note 13

Tangible fixed assets

SEK M	2004	2003
Real estate	1,417	1,615
Land and land improvements	584	632
Plant and machinery	2,797	2,964
Equipment, tools, fixtures and fittings	361	332
New construction in progress and advance payments related to tangible fixed assets	240	235
Total	5,399	5,778

The overall tax assessment value for the Group's Swedish properties amounted to SEK 485 M (380), of which buildings accounted for SEK 402 M (312).

The Group has entered into financial and operational lease agreements. In regard to financial lease agreements, the leased fixed assets are reported as tangible fixed assets and the future payment commitments as financial liabilities. Leasing costs for assets held via financial lease agreements amounted to SEK 2 M (2). Future payment commitments for financial lease agreements are distributed as follows:

SEK M	2004	2003
Year 1	5	2
Years 2-5	5	5
Later than 5 years	0	4

Leasing costs for assets held via operational lease agreements are reported among operating expenses, and amounted to SEK 127 M (97). Future payment commitments for non-cancelable lease agreements amounted to SEK 607 M (645) and fall due as follows:

SEK M	2004	2003
Year 1	89	88
Years 2-5	235	211
Later than 5 years	283	346

SEK M	Buildings		Land and land improvements		Plant and machinery		Equipment, tools, fixtures and fittings		New construction in progress and advance payments		Total tangible fixed assets	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Accumulated acquisition value	2,626	2,719	641	659	7,629	7,545	1,439	1,347	240	237	12,575	12,507
Accumulated amortization according to plan	-709	-784	-29	-43	-4,678	-4,554	-1,075	-1,013	3	-2	-6,488	-6,396
Accumulated write-ups	5	5	20	21	18	23	8	2			51	51
Accumulated impairment losses	-505	-325	-48	-5	-172	-50	-11	-4	-3		-739	-384
Planned residual value	1,417	1,615	584	632	2,797	2,964	361	332	240	235	5,399	5,778
Balance, January 1	1,615	1,574	632	487	2,964	2,383	332	264	235	269	5,778	4,977
Reclassifications	30		3		-23		1		-53		-42	
Acquisitions	46	170		250	95	781	0	120		56	141	1,377
Investments	40	29	15	0	471	296	113	79	202	168	841	572
Divestment of operations												
Divestments and scrapping	-34	-94	-14	-9	-38	-32	-4	-7		-20	-90	-162
Depreciation according to plan for the year	-89	-80	-5	-3	-587	-464	-127	-115			-808	-662
Impairment losses	-171		-37		-85		-6		-2		-301	
Internal reallocations	11	102	-2	-78	67	169	52	5	-135	-223	-7	-25
Translation difference for the year	-31	-86	-8	-15	-67	-169	0	-14	-7	-15	-113	-299
Planned residual value	1,417	1,615	584	632	2,797	2,964	361	332	240	235	5,399	5,778

NOTES TO THE CONSOLIDATED ACCOUNTS

Note 14

Parent Company and Group holdings of shares and participations in Group companies*

Company	Registration number	Domicile	Number	Holding	Book value, SEK M
Busak and Shamban Belgium SA		Belgium	99	100	51
Busak and Shamban Brazil Ltda		Brazil	8,307,199	100	19
Busak and Shamban Bulgaria EOOD		Bulgaria	10,000	100	16
Busak and Shamban CZ spol s r.o.		Czech Republic		100	48
Busak and Shamban Hong Kong Ltd		Hong Kong	484,675	100	1
Busak and Shamban Hankuk Ltd		South Korea	57,750	75	4
Busak and Shamban Polska Sp. z o.o.		Poland	12,800	100	6
Busak and Shamban Suomi Oy		Finland	15	100	75
Busak and Shamban Suisse SA		Switzerland	1,000	100	47
Busak and Shamban Sverige AB	556204-8370	Jönköping	2,500	100	167
Busak and Shamban Österreich GmbH		Austria		100	28
Chemtrading Alpha Holding AG		Switzerland	100	100	3
Eika Corp		Japan	180,000	100	99
Swedish Tyre AB	556064-2646	Trelleborg	2,000	100	0
AB Tegea	556030-7398	Trelleborg	200,000	100	23
Trelleborg Automotive China Holding AB	556052-1485	Trelleborg	4,500,000	100	19
Trelleborg Automotive Poland Sp. z o.o.		Poland	50	100	2
Trelleborg Automotive Slovakia s.r.o.		Slovakia		100	7
Trelleborg Building China Holding AB	556119-8820	Trelleborg	25,000	100	6
Trelleborg Canada BV		Netherlands	82	100	0
Trelleborg Corporation		USA	5,184	100	548
Goodall Rubber Company		USA	718,935	100	
Goodall Rubber Co of Canada Inc		Canada	1	100	
Trelleborg Wheel Systems Americas, Inc		USA	1,000	100	
Trelleborg YSH, Inc		USA	100,000	100	
Trelleborg Sealing Solutions US, Inc		USA	7,500	100	
Trelleborg Engineered Systems Group AB	556055-7711	Trelleborg	1,250	100	2
Trelleborg Fabrieken BV		Netherlands	80,000	100	0
Trelleborg Fluid Solutions Czech Republic s.r.o.		Czech Republic		100	53
Trelleborg Holding AB	556212-8255	Trelleborg	1,000	100	741
AVS Brasil Getoflex Ltda		Brazil	48,214,016	100	
Trelleborg Industrial AVS AB	556020-5862	Södertälje	500	100	
Trelleborg Building Systems AB	556026-2148	Trelleborg	12,000	100	
Trelleborg Inepsa SA		Spain	324,000	100	
Trelleborg Automotive Spain SA		Spain	600,000	100	
Trelleborg Holding Danmark A/S		Denmark	20,000	100	202
Trelleborg Phoenix A/S		Denmark	80,000	100	
Trelleborg Holding France SA		France	153,452	100	119
Busak and Shamban France SAS		France	10,304	100	
Trelleborg Vickers SAS		France	203,400	100	
Trelleborg Modyn SAS		France	720,000	100	
Trelleborg Soratech SAS		France	720,000	100	
Trelleborg Industrie SA		France	649,794	100	
Trelleborg Holdings Italia S.r.l		Italy		100	582
Busak and Shamban Italia SpA		Italy	472,000	100	
Trelleborg Automotive Italia SpA		Italy	200,000	100	
Trelleborg Holding Norge AS		Norway	10,000	100	0
TSS Holdings Sweden AB	556528-2737	Forsheda	2,501,000	100	150
Trelleborg Forsheda AB	556052-2996	Forsheda	8,640,000	100	
Trelleborg Holdings (UK) Ltd		UK	20,000,000	100	1,770
Trelleborg Sealing Solutions UK Ltd		UK	10,050,000	100	
Trelleborg Automotive (UK) Ltd		UK	100	100	
Trelleborg Stanton Ltd		UK	3,750,000	100	
Trelleborg Industri AB	556129-7267	Trelleborg	725,000	100	197
Trelleborg Industrie S.p.A.		Italy	200,000	100	3
Trelleborg Insurance Ltd		Bermuda	50,000	100	118
Trelleborg International BV		Netherlands		100	2,990
Trelleborg Forsheda Netherlands BV		Netherlands	30,000	100	
Trelleborg Wheel Systems Belgium NV		Belgium	11,075,113	100	
Trelleborg Wheel Systems GmbH & Co KG		Germany		100	
Trelleborg Automotive Germany GmbH		Germany	40,000	100	
Busak + Shamban Deutschland GmbH		Germany	1	100	
Trelleborg ETM GmbH		Germany	2	100	
Trelleborg Sealing Solutions Malta Ltd		Malta	482,263	100	
Trelleborg Wheel Systems Spa		Italy	200,000	100	
Trelleborg Protective Products AB	556010-7145	Trelleborg	100,000	100	15
Trelltech AB	556054-9759	Trelleborg	28,000	100	375
Trelleborg Rubore AB	556325-7442	Kalmar	60,000	100	
TSS Holdings Netherlands BV		Netherlands	2,310	100	807
Total, Parent Company					9,293

* The table shows directly owned subsidiaries and indirectly owned companies whose annual sales exceed SEK 250 M.

A complete list of companies is appended to the Annual Report filed with the Swedish Patent and Registration Office.

Note 15

Financial assets

SEK M	2004	2003
Participations in associated companies (Note 16)	121	495
Other shares (Note 17)	5	7
Other investments held as fixed assets	1	157
Investment assets	14	0
Other long-term receivables	6	4
Total	147	663

Of other investments held as fixed assets, SEK - M (154) pertains to Swedish interest-bearing securities and receivables intended as long-term investments. These constituted collateral pledged for fulfillment of commitments in accordance with lease agreements in Swedish associated companies divested in 2004. Book value corresponds to fair value.

Note 16

Shares and participations in associated companies

SEK M	2004	2003
Acquisition value, January 1	495	380
Investments	1	-
Acquisitions	-	9
Sales	-399	-
Dividend	-52	-
Participation in profit of associated companies	81	132
Translation differences	-5	-26
Book value, December 31	121	495

Company	Registration number	Domicile	Holding, %	No. of shares/participations	Book value, SEK M
					2004 2003
Indirectly owned:					
Trenor Holding AB	556578-4740	Stockholm		-	353
Dawson Manufacturing Co.		USA	45	189,090	99 125
Others					22 17
Total					121 495

Note 17

Other shares

SEK M	2004	2003
Acquisition value, January 1	7	8
Divestment	-2	-1
Acquisition value, December 31	5	7
Book value, December 31	5	7
Of which, Swedish shares	1	1
Foreign shares	4	6

Book value corresponds to fair value.

Note 18

Deferred tax assets/tax liability

SEK M	2004			2003		
	Deferred tax assets	Deferred tax liability	Net	Deferred tax assets	Deferred tax liability	Net
Intangible assets	55	96	-41	51	67	-16
Land and buildings	164	101	63	99	119	-20
Machinery and equipment	146	190	-44	140	217	-77
Financial fixed assets	99	28	71	58	39	19
Inventories	56	9	47	43	9	34
Current receivables	12	5	7	7	5	2
Pension provisions	113	2	111	20	5	15
Other provisions	77		77	162	4	158
Long-term liabilities	44	176	-132	22	158	-136
Current liabilities	88	4	84	111	4	107
Loss carry-forwards	403		403	376	0	376
Total	1,257	611	646	1,089	627	462
Offsetting of claims/ liabilities	-508	-508		-542	-542	
Total	749	103		547	85	

Change in deferred tax pertaining to temporary differences and loss carry-forwards

SEK M	Balance, January 1		Reported via income statement		Reported directly against shareholders' equity		Acquired/divested tax assets/liabilities		Translation differences		Balance, December 31	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Intangible assets	-16	-20	-39	35			11	-33	3	2	-41	-16
Land and buildings	-20	-19	83	11			6	-11	-6	-1	63	-20
Machinery and equipment	-77	-86	30	9			5	-8	-2	8	-44	-77
Financial fixed assets	19	-71	8	5	42	79		-2	2	8	71	19
Inventories	34	15	15	-2				21	-2	0	47	34
Current receivables	2	4	6	-8		5		2	-1	-1	7	2
Pension provisions	15	20	44	-10	55			4	-3	1	111	15
Other provisions	158	122	-92	-10	8		1	53	2	-7	77	158
Long-term liabilities	-136	-67	33	-2	-42	-64	14		-1	-3	-132	-136
Current liabilities	107	52	56		-17	-20		26	-6	-7	84	107
Loss carry-forwards	376	548	30	-155		0		-1	-3	-16	403	376
Total	462	498	118	-71	46	0	37	51	-17	-16	646	462

Note 19

Inventories

SEK M	2004	2003
Raw materials and consumables	810	713
Work in progress	324	324
Finished products and goods for resale	1,689	1,657
Contracted work in progress	0	2
Advances to suppliers	3	19
Total	2,826	2,715

Of the above, SEK 320 M (273) is valued at net realizable value.

Note 20

Current receivables

SEK M	2004	2003
Accounts receivable	4,317	4,027
Bills receivable	45	16
Operating receivables, associated companies	6	4
Financial receivables, associated companies	0	0
Other current receivables	262	349
Prepaid expenses and accrued income (Note 21)	476	404
Total	5,106	4,800
Of which is expected to be recovered after 12 months		
Accounts receivable	1	2
Other current receivables	13	11
Prepaid expenses and accrued income	18	15
Total	32	28

Book value corresponds to fair value.

Note 21

Prepaid expenses and accrued income

SEK M	2004	2003
Interest	73	90
Tools	203	117
Other	200	197
Total	476	404

Note 22

Short-term investments/interest-bearing receivables

SEK M	2004	2003
Other short-term investments	1	202
Total	1	202

SEK 200 M of the short-term investments in 2003 pertained to "overnight" investments.

Other interest-bearing receivables	33	-
Total	33	-

Book value corresponds to fair value.

NOTES TO THE CONSOLIDATED ACCOUNTS

Note 23

Shareholders' equity

SEK M	Restricted equity		Non-restricted equity		Total	
	2004	2003	2004	2003	2004	2003
Translation differences, January 1	-578	-352	-52	-52	-630	-404
Change during year from translation of subsidiaries' accounts	-167	-408	-126	0	-293	-408
Exchange-rate differences pertaining to hedging instruments after tax	123	182			123	182
Translation differences, December 31	-622	-578	-178	-52	-800	-630

The Board and President propose a dividend of SEK 5.00 per share (4.50), totaling approximately SEK 449 M (396).

Trelleborg AB's share capital at December 31, 2004 amounted to SEK 2,399,509,025, distributed between 95,980,361 shares at a par value of SEK 25 each.

Class of share	No. of shares	% of total	No. of votes	% of total
Series A	9,500,000	9.90	95,000,000	52.35
Series B	86,480,361	90.10	86,480,361	47.65
Total	95,980,361	100.00	181,480,361	100.00

Change in total number of shares		2004	2003
Number of shares, January 1		91,470,418	90,607,372
New share issue in connection with exercise of warrants		1,353,006	40,509
New share issue in connection with loan conversion		3,156,937	822,537
Number of shares, December 31		95,980,361	91,470,418
Change in number of own shares		2004	2003
Number of shares, January 1		7,179,100	6,920,600
Buyback of own shares		0	272,500
Exercise of call options		-916,000	-14,000
Number of shares, December 31		6,263,100	7,179,100
Total number of shares excluding proprietary holdings, December 31		89,717,261	84,291,318

Option program for senior executives

At the 2000 Annual General Meeting, it was resolved to offer a three-year option program. At the Annual General Meetings in 2000, 2001 and 2002, it was decided to issue a maximum of 1,000,000, 1,100,000 and 1,100,000 call options, respectively, against the repurchased Series B shares in Trelleborg AB. It was also decided to transfer a maximum of 1,000,000, 1,100,000 and 1,100,000 Series B shares, respectively, in Trelleborg in connection with the redemption of call options. The options were allocated to certain senior executives in accordance with the terms of the year 2000 option program in the form of 875,000, 975,000 and 1,070,000 options, respectively. Each option entitles the holder to subscribe for one (1) share. The redemption period for options from the year 2000 was October 1, 2002 – March 31, 2003. The redemption price was SEK 78. These options expired with no shares subscribed for. The redemption period for options from the year 2001 was October 1, 2003 – March 31, 2004. The redemption price was SEK 86. Of these options, 916,000 (14,000) were exercised for share subscription in 2004. No new share issue was held, and only previously repurchased shares were provided. The redemption period for options from 2002 is October 1, 2004 – March 31, 2005. The redemption price is SEK 122. Upon redemption, the options are reported as an increase in shareholders' equity.

Warrants

In 1998, Trelleborg issued warrants directed at senior executives. The original conversion price was SEK 74. The conversion price has been reduced to SEK 65.60 as a result of the distribution of Boliden shares in 1998, and a dividend of SEK 4.25 in 2003, which led to an adjustment in accordance with the terms for the warrants. Each warrant entitles the holder to subscribe for 1.13 shares. The redemption period was February 21, 2003 – April 15, 2004. During 2004, 1,197,351 (35,849) warrants were redeemed. This is reported as a new issue of 1,353,006 (40,509) shares, with a total value of SEK 89 M (3).

Convertible debenture loan

Trelleborg issued a convertible debenture loan in 1998 that was offered to all employees in Trelleborg's Swedish companies. Conversion to shares was possible during the period February 21, 2003 – April 15, 2004. The conversion price has been reduced to SEK 65.60 as a result of the distribution of Boliden shares in 1998, and a dividend of SEK 4.25 in 2003, which led to an adjustment in accordance with the terms for the warrants. In 2004, SEK 207 M (54) of the convertible loan was converted to shares, which is reported as a new issue of 3,156,937 (822,537) shares.

Note 24

Other provisions

SEK M	Restructuring programs in acquired units		Other restructuring programs		Other provisions		Total	
	2004	2003	2004	2003	2004	2003	2004	2003
Opening balance, January 1	362	382			222	249	584	631
Reclassification to fixed assets	-42	-				-	-42	-
Provisions for the year	-	-	196		137	44	333	44
Acquisitions	24	194				48	24	242
Utilized during the year	-248	-209	-30		-90	-95	-368	-304
Translation difference	1	-5	-9		7	-24	-1	-29
Closing balance, December 31	97	362	157	-	276	222	530	584

Of the total SEK 223 M allocated during the year for restructuring measures, SEK 27 M was reported as a current liability. Of the total SEK 248 M utilized in acquired units, SEK 126 M was attributable to the acquisition of Polymer Sealing Solutions, SEK 115 M to acquisitions within Trelleborg Automotive and the remaining SEK 7 M pertained to other acquisitions.

Pension liabilities, other provisions and current liabilities have been adjusted in the 2003 balance sheet in order to harmonize them with the classification for 2004.

Note 25

Provisions for pensions and similar

Specification of costs, SEK M	2004
Costs pertaining to service during current year	55
Interest on obligations	59
Anticipated return on plan assets	-27
Curtailment and settlement losses	3
Total cost of defined-benefit plans	90
Cost of defined-contribution plans	113
Total	203

Change in pension liability

SEK M	2004 Defined-benefit plans	Defined-contribution plans	Total
Balance, January 1	576	12	588
Adjustment of opening balance in accordance with RR29	199		199
Balance, January 1	775	12	787
Net expense reported in income statement	90	113	203
Payment of benefits	-114	-113	-227
Increase through acquisitions	35		35
Translation difference	-10	-1	-11
Balance, December 31	776	11	787
of which, reported as plan assets			14
Pension liability, December 31			801

Pension liability, other provisions and current liabilities have been adjusted in the 2003 balance sheet in order to harmonize them with the classification for 2004.

SEK M	2004						
Defined-benefit plans							
Present value of funded obligation							1,221
Fair value of plan assets							-330
Total							891
Unrecorded actuarial gains and losses							-105
Unrecorded assets							
Translation difference							-10
Total defined-benefit plans							776
Defined-contribution plans							11
Total pension liability							787
Important actuarial assumptions on the balance sheet date, %	UK	USA	Euro zone	Sweden	Norway	Canada	Japan
Discount rate at December 31	5.30	5.70	4.50	4.20	4.40	5.80	2.40
Anticipated return on plan assets at December 31	7.33	6.82	4.50	4.20	4.40	6.30	-
Inflation	2.60	2.50	2.00	2.00	2.20	2.00	1.00
Future annual wage increases	3.60	3.50	3.00	3.00	3.20	3.00	2.00

Defined-benefit plans

Several defined-benefit plans exist in the Group, whereby employees are entitled to post-employment benefits based on their final salary and length of service. The largest plans are in Sweden, France, Germany, Italy, the UK and the US.

Pension insurance with Alecta

Retirement pension and family pension obligations for salaried employees in Sweden are secured through pension insurance with Alecta. According to a statement issued by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council (URS 42), this constitutes a defined-benefit plan covering several employers. For the 2004 financial year, the company did not have access to such information to enable the company to report this plan as a defined-benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is reported as a defined-contribution plan. The year's contributions for pension insurance taken out with Alecta amount to SEK 23 M (20). Alecta's surplus can be distributed to the policyholders and/or the insured. At November 30, 2004, Alecta's surplus corresponded to a collective consolidation ratio of 128.8% (119.9).

The collective consolidation ratio equals the market value of Alecta's assets as a percentage of the insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not correspond with RR29.

Note 26

Financial derivative instruments

Derivative instruments are mainly used to protect the Group's exposure against fluctuations in exchange rates and interest rates. The Group also uses derivative instruments for proprietary trading within the framework of mandates set by the Board.

In cases where available forms of borrowing do not meet the desired structure of the loan portfolio with regard to interest rate and foreign exchange considerations, various derivative instruments are used. Currency swaps are used to secure the desired financing adapted to the subsidiaries' currencies. Interest rate swaps, FRAs or other comparable instruments are used to obtain the desired fixed-interest terms and interest rate on loan liabilities.

Foreign exchange forwards and currency options are financial derivative instruments used for hedging currency exposure both in fixed commercial undertakings and calculated future commercial flows.

Investments in foreign subsidiaries and associated companies may be hedged. Hedging occurs mainly through corresponding borrowing in the same currency but may also be secured through forward or option contracts.

The table below shows the Group's financial derivative instruments, gross, at December 31, 2004. The indicated values include the underlying capital amounts and accrued interest.

Type of derivative	2004		2003	
Type of derivative	2004 Fair value	Nominal amount	2003 Fair value	Nominal amount
SEK M				
Currency swaps and foreign exchange forwards	-11	8,844	-62	7,895
Interest rate swaps	23	7,712	21	8,662
Total	12	16,556	-41	16,557

The purposes of the Group's financial derivative instruments are described in the table below:

Purpose	2004		2003	
Purpose	Fair value	Nominal amount	Fair value	Nominal amount
SEK M				
Currency hedging				
Fixed commercial undertakings	-2	348	0	116
Anticipated commercial flows	-3	863	0	831
Financing of subsidiaries	-6	7,606	-62	6,948
Interest-rate hedging	23	7,712	21	8,662
Trading	-	27	-	-
Total	12	16,556	-41	16,557

All forward contracts and currency swaps used to hedge the Group's currency exposure and for trading purposes expire in 2005. Interest rate swaps and FRAs expire between 2005 and 2006.

Foreign exchange forwards that hedge forecast commercial flows are not taken up in the balance sheet. Changes in the value of these contracts are reported in the same period that the forecast flow arises. At December 31, 2004, nominal amounts for contracts not affecting the accounts totaled approximately SEK 860 M. Unrealized losses were valued at SEK 3 M.

At year-end 2004, a market valuation was obtained for all derivative instruments.

Interest-bearing liabilities**Long-term interest-bearing liabilities**

SEK M	2004	2003
Liabilities to credit institutions	7,140	9,128
Convertible debenture loan	-	206
Other interest-bearing liabilities	10	25
Total	7,150	9,359

Interest-bearing current liabilities

SEK M	2004	2003
Liabilities to credit institutions	63	104
Bank overdraft facilities	245	135
Other interest-bearing liabilities	2	5
Total	310	244

Total interest-bearing liabilities 7,460 9,603

Liabilities are reported at amounts corresponding to fair value.

Bank overdraft facilities

SEK M	2004	2003
Credit limit approved	1,100	1,200
Of which utilized	245	135
Unutilized portion	855	1,065

The Group's outstanding interest-bearing liabilities at year-end 2004, adjusted for derivative instruments, have the following currency distribution, effective interest rates and fixed-interest terms:

	Volume, SEK M		Effective rate of interest, %		Fixed-interest term adjusted for derivative instruments, no. of days	
	2004	2003	2004	2003	2004	2003
SEK	-663	1,359	2.0	3.2	35	31
USD	1,751	1,873	3.1	3.2	525	933
EUR	5,011	5,272	2.8	3.0	308	416
GBP	751	796	4.8	4.3	448	649
Other	610	303	2.0	5.0	30	30
Total	7,460	9,603	3.1	3.2	375	469

The Group's approved credit facilities

	2004		2003	
	Volume, SEK M	Expires, year	Volume, SEK M	Expires, year
Overdraft facilities	1,100	2005	1,200	2004
Convertible debenture loan	-		206	2004
Other long-term loans	109	2006	125	2006
Syndicated loan, USD 600 M*	3,968	2007	4,366	2007
Syndicated loan, EUR 540 M*	4,869	2008	4,916	2008
Syndicated loan, EUR 40 M	361	2011	364	2011
Total	10,407		11,177	

The Group's current, non-committed credit lines amounted to approximately SEK 2,500 M at year-end 2004. The loan agreements include the customary clauses. In addition to these, the syndicated loans include certain financial covenants pertaining to a debt/equity ratio which must not be exceeded and an interest coverage ratio which must be maintained. At year-end 2004, there was a safe margin for these.

* In December, a decision was taken to refinance these syndicated loans during the first quarter of 2005. The term of the new loan is expected to be 5-7 years.

Interest-bearing financial assets and liabilities

SEK M	2004	2003
Long-term investments	1	157
Current financial receivables	33	-
Short-term investments	1	202
Cash and bank balances	474	797
Total financial assets	509	1,156

Less:

Interest-bearing long-term liabilities	-7,150	-9,359
Interest-bearing current liabilities	-310	-244
Net liabilities	-6,951	-8,447

Note 27

Convertible debenture loan

In 1998, the Parent Company issued a convertible debenture loan. The issued amount was SEK 261 M. Interest on the loan is set in February each year as the 1-year STIBOR rate less 0.6%. The interest for the period January 1-February 20, 2004 was set at 3.22%. The interest for the period February 21-May 20, 2004 was set at 2.01%. The loan expired on May 20, 2004 and the conversion period was February 21, 2003 to April 15, 2004. During the year, SEK 207,095,000 of the loan was converted to shares, resulting in the new issue of 3,156,937 shares.

Note 28

Noninterest-bearing liabilities

Other long-term liabilities

SEK M	2004	2003
Other noninterest-bearing liabilities	44	60
Total	44	60

Other current liabilities

Advance payment from customers	29	45
Accounts payable	2,530	2,323
Bills payable	8	7
Liability to associated companies	11	1
Other noninterest-bearing liabilities	331	340
Accrued expenses and prepaid income (Note 29)	1,348	1,267
Total	4,257	3,983

Total noninterest-bearing liabilities	4,301	4,043
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Other current liabilities expected to be paid after 12 months but within five years

Tax liability	7	16
Accrued expenses and prepaid income	15	28
Total	22	44

Liabilities are reported at amounts corresponding to fair value.

Note 29

Accrued expenses and prepaid income

SEK M	2004	2003
Interest	165	188
Wages and salaries	450	373
Payroll overheads	194	187
Tools	14	54
Other	525	465
Total	1,348	1,267

Note 30

Contingent liabilities and pledged assets

SEK M	2004	2003
<i>Contingent liabilities</i>		
Pension obligations	6	6
Guarantees and other contingent liabilities	202	406
Total	208	412

MSEK	2004	2003
<i>Pledged assets</i>		
Fixed assets	37	–
Inventories	–	23
Long-term investments	–	154
Total	37	177

Long-term investments constitute collateral for fulfillment of commitments in accordance with lease agreements in Swedish associated companies divested in 2004.

Note 31

Employees and costs

Average number of employees

	2004			2003		
	Number of Women	Men	Total	Number of Women	Men	Total
Sweden	31	39	70	29	37	66

Absence due to illness	2004	2003
Absence due to illness as a percentage of normal working hours for		
– women	1,3	3,3
– men	0,2	0,4
– employees under age 30	0,0	–
– employees age 30–49	0,5	2,1
– employees age 49–	0,1	0,5
– all employees	0,7	1,6

Absence for a continuous period of 60 days or more as a percentage of total absence due to illness

Gender distribution in corporate management, %	2004	2003
Percentage of women in executive positions	11	11
Percentage of women on the Board	18	18

Fixed and variable salary, other remuneration and social security expenses

2004						
	Board and President	Other senior executives	Other employees	Total payroll	Social security expenses	of which pension cost
SEK M						
Sweden	14	15	34	63	41	6
2003						
	Board and President	Other senior executives	Other employees	Total payroll	Social security expenses	of which pension cost
SEK M						
Sweden	9	11	30	50	34	6

Note 32

Auditors' fees and reimbursements

SEK M	2004	2003
PricewaterhouseCoopers		
Audit assignment	2	–
Other assignments	2	–
KPMG		
Audit assignment	1	2
Other assignments	1	21
Other auditors		
Audit assignment	0	0
Other assignments	0	0
Total	6	23

Note 33

Other operating revenue and expenses

SEK M	2004	2003
Inter-company services	146	124
Other	5	6
Total operating revenue	151	130
Impairment loss on receivable	–7	–
Other	–4	–8
Total other operating expenses	–11	–8
Total	140	122

Note 34

Planned depreciation of tangible fixed assets

SEK M	2004	2003
Real estate	0	0
Equipment, tools, fixtures and fittings	–1	–1
Total	–1	–1

Note 35

Financial income and expense

SEK M	2004	2003
Income from participations in Group companies		
Dividend	3,819	109
Impairment loss on shares in subsidiaries	–709	–
Gain/loss from sale	81	–1
Total	3,191	108
Income from other securities and receivables that are fixed assets		
Interest income, Group companies	199	192
Interest income, other	2	6
Exchange-rate differences	38	7
Gain on sale/impairment loss	1	–1
Dividend and other financial income	–	0
Total	240	204
Other interest income and similar profit/loss items		
Interest income, Group companies	302	252
Interest income, other	9	46
Exchange-rate differences	–98	81
Gain from sale/impairment loss	–	0
Total	213	379
Interest expense and similar profit/loss items		
Interest expense, Group companies	–56	–119
Interest expense, other	–288	–144
Exchange-rate differences	116	134
Total	–228	–129
Total financial income and expense	3,416	562

Note 36

Tax on profit for the year

SEK M	2004	2003
Current tax expense		
Tax expense for the period	–1	0
	–1	0
Deferred tax expense (-) / tax revenue (+)		
Utilization of loss carry-forwards	–26	–101
Revaluation of loss carry-forwards	–84	3
	–110	–98
Total reported tax expense	–111	–98
Reconciliation of effective tax, %		
Swedish income tax, %	28	28
Non-deductible expense/non-taxable revenue, %	–27	–6
Utilization/revaluation of loss carry-forwards, %	2	–1
Reported effective tax, %	3	21
Tax items reported directly against shareholders' equity		
Deferred tax on Group contribution received/paid	–13	–34

Note 37

Tangible fixed assets

SEK M	2004	2003
Real estate	3	3
Equipment, tools, fixtures and fittings	8	7
Total	11	10

	Real estate		Equipment, tools, fixtures and fittings		Total tangible fixed assets	
MSEK	2004	2003	2004	2003	2004	2003
<i>Accumulated acquisition value</i>						
Balance, January 1	4	31	23	27	27	58
New acquisitions	–	–	2	1	2	1
Divestments and scrapping	–	–27	0	–5	0	–32
Accumulated acquisition value, December 31	4	4	25	23	29	27
<i>Accumulated depreciation according to plan</i>						
Balance, January 1	–1	–12	–16	–20	–17	–32
Divestments and scrapping	–	11	0	5	0	16
Depreciation according to plan for the year	0	0	–1	–1	–1	–1
Accumulated depreciation, December 31	–1	–1	–17	–16	–18	–17
Planned residual value, December 31	3	3	8	7	11	10
Tax assessment values, buildings	2	2				
Tax assessment values, land	1	1				

Trelleborg AB has entered into operational lease agreements. Leasing costs for assets held via operational lease agreements are reported among operating expenses and amounted to SEK 4 M (2). Future payments for non-cancelled lease agreements amount to SEK 6 M (5) and fall due as follows:

SEK M	2004	2003
Year 1	3	2
Years 2-5	3	3

Note 38

Financial assets

SEK M	2004	2003
Participations in Group companies (Notes 14 and 39)	9,293	5,564
Receivables from Group companies	7,524	10,121
Other long-term securities	0	0
Other investments held as fixed assets	–	154
Deferred tax assets (Note 40)	63	160
Total	16,880	15,999

Of other investments held as fixed assets, SEK – M (154) pertains to Swedish interest-bearing securities and receivables intended as long-term investments. These constituted collateral pledged for fulfillment of commitments in accordance with lease agreements in Swedish associated companies divested in 2004. Book value corresponds to fair value.

Note 39

Participations in Group companies

SEK M	2004	2003
Balance, January 1	5,564	3,258
<i>Add:</i>		
New acquisitions	3,568	1,585
Shareholders' contribution	870	728
<i>Less:</i>		
Divestment	0	–7
Impairment loss	–709	–
Balance, December 31	9,293	5,564

See also Note 15.

Note 40

Deferred tax assets

SEK M	2004	2003
<i>Loss carry-forwards</i>		
Amount, January 1	160	224
<i>Reported over income statement:</i>		
– Utilization of loss carry-forwards	–26	–101
– Revaluation of loss carry-forwards	–84	3
<i>Reported directly against shareholders' equity:</i>		
–Tax on Group contribution received/paid	13	34
Total	63	160

See also Note 36.

Note 41

Inventories

SEK M	2004	2003
Finished products and goods for resale	1	4

Note 42

Current receivables

SEK M	2004	2003
<i>Non-financial receivables</i>		
Operating receivables, Group companies	25	11
Operating receivables, associated companies	–	0
Tax assets	1	1
Other current receivables	112	82
Prepaid expenses and accrued income (Note 43)	84	91
Total	222	185
<i>Financial receivables</i>		
Financial receivables, Group companies	5,043	2,617
Total	5,043	2,617
Total current receivables	5,265	2,802

Book value corresponds to fair value.

Note 43

Prepaid expenses and accrued income

SEK M	2004	2003
Interest and other financial items	73	80
Other	11	11
Total	84	91

Note 44

Short-term investments

SEK M	2004	2003
"Overnight" investments	–	200
Total	–	200

Note 45

Shareholders' equity

SEK M	Restricted equity		Non-restricted equity		Total	
	2004	2003	2004	2003	2004	2003
Opening balance, January 1	3,235	3,184	1,457	1,538	4,692	4,722
Changes for the year						
Transfer between restricted and non-restricted equity	-1	-14	1	14	0	0
Dividend			-396	-355	-396	-355
New share issue in connection with loan conversion	207	54			207	54
New share issue in connection with exercise of warrants	89	3			89	3
Option premium		8			-	8
Share buybacks during the year				-19	-	-19
Divestment of own shares at exercise of call options			79	1	79	1
Group contribution			-34	-87	-34	-87
Net profit for the year			3,164	365	3,164	365
Closing balance, December 31	3,530	3,235	4,271	1,457	7,801	4,692

Trelleborg AB's share capital at December 31, 2004 amounted to SEK 2,399,508,025, distributed between 95,980,361 shares at a par value of SEK 25 each. At January 1, 2004, Trelleborg AB held 7,179,100 of its own shares. No buybacks of the company's own shares took place during the year. The exercise of call options caused a divestment of 916,000 shares. At year-end 2004, Trelleborg AB held 6,263,100 of the company's own shares. The total number of outstanding shares at year-end 2004 was 89,717,261.

Class of share	No. of shares	% of total	No. of votes	% of total
Series A	9,500,000	9.90	95,000,000	52.35
Series B	86,480,361	90.10	86,480,361	47.65
Total	95,980,361	100.00	181,480,361	100.00

See also Note 23.

Note 46

Provisions for pensions and similar

SEK M	2004	2003
Provisions for other pensions	4	5
Total	4	5

Pensions and similar costs amounted to SEK 16 M (14).

Note 47

Other provisions

SEK M	2004	2003
Provision for environmental commitments	-	3
Total	-	3

Note 48

Interest-bearing liabilities

Long-term interest-bearing liabilities		
SEK M	2004	2003
Liabilities to credit institutions	7,571	9,462
Convertible debenture loan	-	206
Other interest-bearing liabilities to Group companies	5,866	3,817
Total long-term interest-bearing liabilities	13,437	13,485

Interest-bearing current liabilities

SEK M	2004	2003
Liabilities to credit institutions	27	0
Bank overdraft facilities	229	77
Other interest-bearing liabilities to Group companies	379	736
Total interest-bearing current liabilities	635	813
Total interest-bearing liabilities	14,072	14,298

Liabilities to credit institutions

SEK M	2004	2003
Due dates 1-5 years from balance sheet date	7,210	9,098
Due dates later than 5 years from balance sheet date	361	364

Bank overdraft facilities

SEK M	2004	2003
Approved credit limit	1,010	1,062
Unutilized portion	-781	-985
Amount utilized	229	77

Convertible debenture loan

See Note 27.

Liabilities are reported at amounts corresponding to fair value.

Note 49

Other current liabilities

SEK M	2004	2003
Accounts payable	37	18
Operating liabilities, Group companies	0	0
Tax liabilities	1	1
Other noninterest-bearing liabilities	4	15
Accrued expenses and prepaid income (Note 50)	254	185
Total noninterest-bearing current liabilities	296	219

Liabilities are reported at amounts corresponding to fair value.

Note 50

Accrued expenses and prepaid income

SEK M	2004	2003
Interest and other financial items	213	158
Wages and salaries	20	15
Payroll overheads	8	6
Severance pay	-	0
Other	13	6
Total	254	185

Note 51

Contingent liabilities and pledged assets

SEK M	2004	2003
<i>Contingent liabilities</i>		
Pension obligations	1	0
Guarantees and other contingent liabilities	630	727
Total	631	727
Of which, on behalf of subsidiaries	443	330
<i>Pledged assets</i>		
Chattel mortgages, liabilities to credit institutions	-	-
Long-term investments, other interest-bearing liabilities	-	154
Total	-	154

Transition to reporting in accordance with IFRS

Transition to reporting in accordance with IFRS (International Financial Reporting Standards)

Effective January 1, 2005, the Trelleborg Group will report in accordance with IFRS. The transition is accounted for in accordance with IFRS "First-time Adoption of International Financial Reporting Standards" and is effective from January 1, 2004. IFRS 1 also stipulates that comparative data for 2004 shall be reported in accordance with IFRS. In accordance with the transition provisions of IFRS 1, no adjustments will be made for financial years prior to 2004.

Although Swedish accounting practices have gradually been harmonized with IFRS regulations, the transition to reporting in accordance with IFRS will still entail some changes. The primary changes for the Trelleborg Group are the adjustments to IFRS 3 Business Combinations and IAS 39 Financial Instruments: Recognition and Measurement.

The tables below show the areas that are judged to have a significant impact on the Trelleborg Group's shareholders' equity and income statement for 2004. The tables were prepared in accordance with currently applicable principles. IFRS is subject to continuous supervision and approval by the EU. Consequently, changes may still be made which might affect the information presented below.

Shareholders' equity, SEK M	
Shareholders' equity in accordance with Swedish accounting principles, opening balance at January 1, 2004	7,452
Minority share	152
Deferred tax	-14
Shareholders' equity in accordance with IFRS, January 1, 2004, SEK M	7,590
Shareholders' equity in accordance with Swedish accounting principles, closing balance at December 31, 2004	8,118
Goodwill amortization	403
Restructuring costs pertaining to acquisitions in 2004	-24
Tax on restructuring costs	-9
Minority share	128
Translation difference	-13
Shareholders' equity in accordance with IFRS, December 31, 2004, SEK M	8,603
Net profit, SEK M	
Net profit for continuing operations in accordance with Swedish accounting principles	332
Reversal of goodwill amortization	403
Restructuring costs that have affected the calculation of goodwill	-24
Tax on restructuring costs	9
Tax on goodwill	-4
Net profit 2004 for continuing operations, in accordance with IFRS	716

Trelleborg consolidated income statement in accordance with IFRS per quarter, 2004

Continuing operations SEK M	Jan-Mar	Jan-Jun	Jan-Sep	Jan-Dec
Net sales	5,815	11,923	17,383	22,912
Operating profit	474	928	1,315	1,258
Profit after financial items	390	771	1,086	971
Profit after tax	281	555	788	730
of which, minority share	-6	-12	-13	-14
of which, Group share	275	543	775	716
Operating profit excluding restructuring costs and impairment losses	480	1,000	1,393	1,818

Continuing operations SEK M	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Net sales	5,815	6,108	5,460	5,529
Operating profit	474	454	387	-57
Profit after financial items	390	381	315	-115
Profit after tax	281	274	233	-58
of which, minority share	-6	-6	-1	-1
of which, Group share	275	268	232	-59
Operating profit excluding restructuring costs and impairment losses	480	520	393	425

IFRS 3 – Business Combinations

IFRS 3 stipulates that goodwill and other intangible assets with an indefinite useful life are no longer amortized but, instead, impairment testing is conducted in connection with the transition to IFRS on January 1, 2004 and then on an annual basis, or more frequently if there is an indication of impairment in value. Within the Trelleborg Group, impairment testing was conducted in 2004 to secure the value of goodwill. This testing did not indicate any impairment losses. As a result of the transition to IFRS, goodwill amortization undertaken in accordance with Swedish accounting principles in 2004 will be reversed. This goodwill amortization amounted to SEK 403 M.

Another effect of the transition to IFRS 3 relates to changes in the rules for allocating the cost of an acquisition. The new rules stipulate that the purchase price must also be allocated across other intangible assets to a greater extent than is prescribed by the current Swedish accounting principles. In accordance with IFRS 1, all acquisitions made by the Group in 2004 must be allocated in this manner. Only minor acquisitions were made in 2004 and an analysis by the Group shows that the intangible assets pertain to goodwill.

In accordance with IFRS 3, restructuring reserves that have affected the calculation of goodwill are not permitted. An adjustment has been made for the restructuring reserves that affected the goodwill amount for acquisitions made in 2004. This adjustment amounted to SEK 24 M.

IAS 39 – Financial instruments:

All derivatives will be valued at market (fair) value on an ongoing basis.

The Trelleborg Group will apply hedge accounting for financial instruments that aim to hedge the following financial risks:

- Transaction exposure; hedging of forecast and contracted external commercial currency flows.
- Interest-rate risk; interest-rate derivatives taken out to secure the desired rate of interest on the Group's net debt.
- Translation exposure in the balance sheet; hedging of net assets in foreign currencies.

Changes in the market (fair) value of the above financial instruments will be reported in the balance sheet as shareholders' equity in cases where hedge effectiveness is presumed to exist.

The Group has also taken out foreign exchange forwards that aim to hedge inter-company commercial currency flows. These foreign exchange forwards will be valued at market (fair) value and changes in fair value will affect the income statement since IAS 39 does not presently permit hedge accounting for the hedging of inter-company currency flows.

The Group assesses that the existence of embedded derivatives is so limited that an assessment of their fair value will not have any material effect on the income statement.

The Group's preliminary assessment is that IAS 39 will not have any material impact on the opening balance of shareholders' equity at January 1, 2005.

Proposed treatment of unappropriated earnings

The Group's unappropriated earnings, including the profit for 2004, total SEK 4,493 M, of which an estimated SEK 0 M is to be transferred to restricted reserves.

The Board of Directors and the President propose that the profit brought forward from the preceding year, SEK T 1,106,901 and the profit for the year, SEK T 3,164,238

Total, SEK T 4,271,139

be distributed in the following manner :

A dividend of SEK 5.00 per share be paid to the shareholders, SEK T 448,586 *)


Balance to be carried forward, SEK T 3,822,553

Total, SEK T 4,271,139

*The total dividend amount could change in the period up to the record date due to the exercise of call options.

The consolidated and Parent Company income statements and balance sheets are subject to approval by the Annual General Meeting.

Trelleborg February 8, 2005


Anders N rvinger
Chairman


Hel ne Bergquist


Rolf Larsson


Berthold Lindqvist


Rolf Kjellman


Claes Lindqvist


Staffan Bohman


Kim Davidsson


Alf Fredlund


Karin Linsj 


Fredrik Arp
President

Audit report for Trelleborg AB

Corporate registration number 556006-3421

To the Annual General Meeting of the shareholders in Trelleborg AB:

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Trelleborg AB (publ) for the 2004 financial year. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the annual accounts and the consolidated accounts are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.


We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the

company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and thereby give a true and fair view of the company's and the Group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Trelleborg, February 14, 2005
PricewaterhouseCoopers AB


G ran Tidstr m
Authorized Public Accountant
Auditor in charge


Olov Karlsson
Authorized Public Accountant

Corporate Governance Report

Responsibility for the management and control of the Trelleborg Group is spread among the Board of Directors, its elected committees and the President in accordance with the Swedish Companies Act, other legislation and regulations, the articles of association and the Board's own internal control instruments.

Articles of association

Among other matters, the articles of association stipulate the Group's operations, the rights of shareholders in relation to the class of shares (Series A shares each provide 10 votes, Series B shares each provide one vote), the number of Board members and auditors, the procedure for calling Annual General Meetings, the agenda of Annual General Meetings and that Annual General Meetings shall be held in the town of Trelleborg. The current articles of association adopted on November 16, 2001 are available on Trelleborg's website, www.trelleborg.com

Annual General Meeting 2004

The Annual General Meeting is the Trelleborg Group's highest decision-making body. It is generally held during the month of April in Trelleborg. Trelleborg

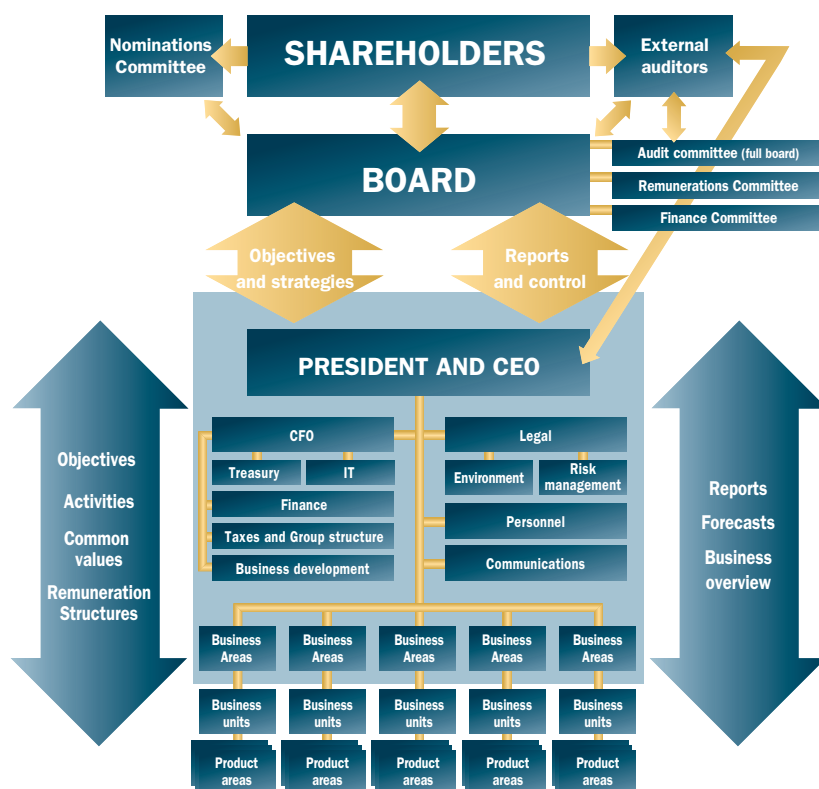
has a separate page devoted to the Annual General Meeting at www.trelleborg.com. The 2004 Annual General Meeting took place on Thursday, April 22, 2004. Anders Narvinger was elected chairman of the meeting.

The following decisions were made:

- The meeting adopted the income statement and balance sheet and the consolidated income statement and consolidated balance sheet, decided to dispose of profits in accordance with the proposal on the treatment of unappropriated earnings, discharge the members of the Board and the President from liability and, in accordance with the proposal by the Board and the President, distribute a dividend of SEK 4.50 per share for 2003.
- The meeting voted in favor of the proposal of shareholders representing approximately 65 percent of the voting rights that the number of Board members elected by the Annual General Meeting should remain seven and that, as previously, no Board deputies should be appointed.
- Fredrik Arp, Staffan Bohman, Rolf Kjellman, Berthold Lindqvist and

Anders Narvinger were re-elected to the Board.

- Heléne Bergquist and Claes Lindqvist were elected to the Board. Heléne Bergquist is Senior Vice President at AB Electrolux with global responsibility for its Management Assurance & Special Assignments function, focusing on internal control and auditing. She is also a member of the Board of the Swedish Association for the Development of Generally Accepted Accounting Principles. Claes Lindqvist is the President and Chief Executive Officer of Höganäs AB until the next Annual General Meeting of shareholders in Höganäs, in May 2005. He is also a member of the Board of Höganäs AB, the Swedish Steel Producers' Association, the Southern Swedish Chamber of Commerce and Industry, SIMI Scandinavian International Management Institute, and Dunkers Funds and Foundations. Ann-Christine Albertsson and Didrik Normark resigned from the Board after having declined re-election.
- The meeting decided to increase the fee paid to the Board to SEK 1,725,000, to be distributed by the Board to members of the Board who are not employees of the Group and that, as previously, the auditors shall be compensated for reasonable expenses as specified by invoice based on actual time spent.
- PricewaterhouseCoopers AB was re-appointed as auditors for the coming four years, to be represented by Göran Tidström and Olov Karlsson, supervised by Göran Tidström.
- The meeting decided that a Nominations Committee should be established and it should consist of representatives of five major shareholders at the close of the third quarter. Individual shareholders in Trelleborg may submit proposals for members to the Nominations Committee and the composition of the committee should be announced in the company's interim report for the third quarter. The Nominations Committee must report



on its activities at the Annual General Meeting.

- The meeting decided that, as previously, the Board in its entirety should serve as audit committee.
- In accordance with the proposal of the Board, the meeting decided partly to authorize the Board, in a departure from the shareholders' preferential rights, to decide on the divestment of the company's own shares as liquid funds in conjunction with acquisitions of companies or operations, and partly to authorize the Board, with or without preferential rights for shareholders, to decide on the divestment of the company's own shares in a manner other than via the Stockholm Exchange to finance the acquisition of companies or operations. In the event divestment takes place without preferential rights for shareholders, compensation for shares sold must correspond to their estimated market value. Otherwise, the following conditions shall apply:

- 1) The authorization may be utilized on one or several occasions prior to the next Annual General Meeting.
- 2) No more shares may be divested than at any time correspond to 10 percent of the number of shares in the company.

At the request of the Swedish Shareholders' Association, the activities and function of the Remunerations Committee were described. At the request of the First AP Fund, consulting costs and other costs paid to Trelleborg's auditors, KPMG, were presented.

Nominations Committee

Nomination of Board members must follow the procedure adopted by the 2004 Annual General Meeting.

A Nominations Committee formulated proposals for the Annual General Meeting in 2005 regarding the composition of the Board of Directors and fees paid to Board members. In accordance with the decision of the Annual General Meeting, the Board Chairman may be elected to the Nominations Committee and appointed chair of that committee,

which did indeed occur. Didrik Normark, Dunker Funds and Foundations, Mats Lagerqvist, Robur, Ramsay Brufer, Alecta, Torsten Johansson, Handelsbanken Funds and Lars Öhrstedt, AFA/TFA were appointed to the committee. No remunerations were paid to the members of the Nominations Committee.

The group held three meetings. As a basis for the Committee's work, information on the company's operations and strategic focus was presented by the President at the first meeting. The Board Chairman reported on the Board's work during the year, including annual evaluations of Board members, the work of the Group's Compensation Committee and the Board's annual review with the company's auditors. The aim of the principal owners is that elected Board members shall represent knowledge and competence relevant for Trelleborg's operations. Independent members are included in compliance with requirements that apply for publicly listed Swedish companies.

The Nominations Committee decided to propose to the 2005 Annual General Meeting that it re-elect all Board members. Anders Narvinger, Staffan Bohman, Berthold Lindqvist and Heléne Bergquist are independent of the company's large owners. Two of the members – Rolf Kjellman and Claes Lindqvist – have assignments for Trelleborg's main owner, the Dunker Funds and Foundations. All members elected by the Annual General Meeting are independent in relation to the company, with the exception of the President and Chief Executive Officer, Fredrik Arp.

The Board of Directors and its activities

General

In accordance with the articles of association, the Board of Directors shall consist of three to ten members, elected by the Annual General Meeting for the period until the end of the next Annual General Meeting. The Articles of Association allow for the election of deputies – however, currently there are no deputies elected by the Annual General Meeting. During recent years, the Annual General Meeting

has elected seven members, including the President, who is also the Chief Executive Officer. In accordance with legislation, employees elect three Board members and a deputy. In 2004, the Trelleborg union council re-elected to the Board personnel representatives Kim Davidsson and Karin Linsjö (Swedish Trade Union Confederation) and Alf Fredlund and Rolf Larsson (deputy) (the Negotiation Cartel for Salaried Employees in the Private Business Sector). Trelleborg's CFO, Bo Jacobsson, and its Chief Accountant, Gertrud Andersson, participate in all meetings as does the General Counsel, Ulf Gradén, who serves as the Board's secretary. Other salaried employees of the company participate in Board meetings to present various types of information or in administrative functions. The members of the Board are presented on pages 78-79.

The Board of Directors' agenda is regulated by written procedures that are reviewed annually to establish the Board's internal division of duties, the Board's decision-making procedure, procedures governing Board meetings and the duties of the Chairman. The work of the Board complies with a list of issues to be presented that is designed to ensure that the Board's information requirements are met. The Board also issued separate President's instructions and adopted other special documents, such as instructions for financial reporting to the Board, a finance policy and a communications policy. All business areas are given an opportunity at least once a year to give an in-depth presentation of their operations at a Board meeting. According to its established procedures, the Board and the external auditors shall carry out no fewer than three annual reviews of the operations, as did indeed occur in 2004.

The Board monitors the work of the President through ongoing reviews over the year and is responsible for ensuring that Trelleborg's organization, management and guidelines for the administration of the company's interests are structured appropriately and that there is satisfactory internal control. The Board is also responsible for development and follow-up of the

Continued on page 80

Board of Directors Members elected by Annual General Meeting



ANDERS NARVINGER
Chairman of the Board

Director General of the Association of the Swedish Engineering Industries.
Chairman of Alfa Laval AB, Swedish Trade Council, Lund Institute of Technology and IRECO Holding AB.
Board member of Volvo Car Corporation.
Qualifications: M. Sc Eng., Graduate in business administration.
Has previously held a number of positions in the ABB Group, including President and Chief Executive Officer of ABB Sweden.
Holdings 2004: 4,000 shares.
Holdings 2003: 4,000 shares.
Born: 1948. Elected to Board: 1999.

CLAES LINDQVIST
Board member

President and Chief Executive Officer of Högånäs AB.
Board member of Högånäs AB, Jernkontorets Fullmäktige, Southern Swedish Chamber of Commerce and Industry, SIMI Scandinavian International Management Institute, Svenska Handelsbanken southern region and the Dunkers Funds and Foundations.
Qualifications: Graduate in business administration, M. Sc Eng.
Holdings 2004: 2,000 shares
Holdings 2003: –
Born: 1950. Elected to Board: 2004.

BERTHOLD LINDQVIST
Board member

Chairman of AB Munters.
Board member of Securitas AB, JM AB, Cardo AB, Novotek AB, Probi AB and other companies.
Qualifications: Med. Dr. hc., Graduate engineer.
Previously President and Chief Executive Officer of Gambro.
Holdings 2004: 2,000 shares.
Holdings 2003: 2,000 shares
Born: 1938. Elected to Board: 1996.

HELÉNE BERGQUIST
Board member

Senior Vice President of AB Electrolux.
Board member of Association for the Development of Generally Accepted Accounting Principles.
Qualifications: Graduate in business administration.
Previously authorized public accountant, partner and member of the Board of PricewaterhouseCoopers in Sweden and Chairman of the educational committee of the Institute for the Accounting Profession in Sweden.
Holdings 2004: –
Holdings 2003: –
Born: 1958. Elected to the Board: 2004.



STAFFAN BOHMAN
Board member

Board member of Atlas Copco AB, Sapa AB, Dynapac.
Chairman of the Institute of International Business at the Stockholm School of Economics.
Qualifications: Stockholm School of Economics and the Stanford Business School, US.
Previously Chief Executive Officer of DeLaval, Gränges and SAPA.
Holdings 2004: 6,000 shares.
Holdings 2003: 6,000 shares.
Born: 1949. Elected to Board: 2000.

ROLF KJELLMAN
Board member

President of Henry Dunkers Förvaltnings AB. Executive Member of Henry and Gerda Dunker's Foundation and Donation Fund No. 2.
Qualifications: Commercial Secondary School and Advanced Banking Training.
Previously Regional General Manager, SEB in Malmö and the province of Skåne.
Holdings 2004: 1,500 shares.
Holdings 2003: 1,500 shares.
Born: 1939. Elected to Board: 1997.

FREDRIK ARP
Board member

President and CEO of the Trelleborg Group. Chairman of Thule AB.
Board member of Getinge Industrier.
Qualifications: Graduate in business administration.
Previously held various senior management positions at Tarkett, Boliden Chemicals and Trelleborg Industri, President of PLN.
Holdings 2004: 51,549 shares and 40,000 call options¹⁾.
Holdings 2003: 51,549 shares and 65,000 call options.
Born: 1953. Elected to Board: 1999.

All holdings valid as at January 1, 2005.

1) Exercise period: October 1, 2004 to March 31, 2005. Exercise price: SEK 122.

Board of Directors Members appointed by employees



KIM DAVIDSSON

Employee representative.

Elected by the Unions of the Trelleborg Group
Member of the Industrial Labour Union
appointed by the executive committee and
Chairman of the Trelleborg European Work
Council (LO).

Qualifications: Tool maker, training in labour
law, personnel policy and economics.

Holdings 2004: –

Holdings 2003: 122 shares

Born: 1947. Appointed to Board: 1994.

KARIN LINSJÖ

Employee representative

Elected by the Unions of the Trelleborg
Group (LO).

Board member of the Social Services Board.

Qualifications: Elementary school and
plant training.

Holdings 2004: 167 shares.

Holdings 2003: 167 shares.

Born: 1954. Appointed to Board: 2000.

ROLF LARSSON

Deputy employee representative.

Elected by the Unions of the Trelleborg Group
(PTK).

Qualifications: IT and business development
studies.

Holdings 2004: –

Holdings 2003: –

Born: 1942. Appointed to Board: 2002.

ALF FREDLUND

Employee representative.

Elected by the Unions of the Trelleborg Group
(PTK).

Chairman, local union section SIF (Swedish
Union of Clerical and Technical Employees in
Industry) at Trelleborg AB.

Qualifications: Engineer.

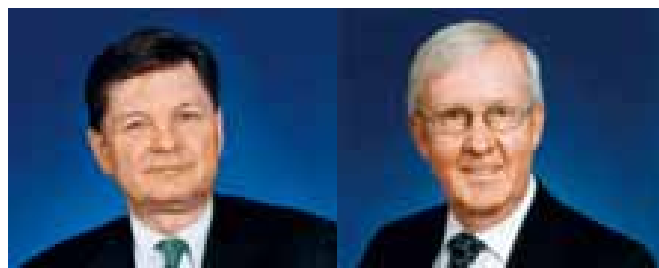
Holdings 2004: 4,818 shares (own and family
members').

Holdings 2003: 4,818 shares (own and family
members').

Born: 1946. Appointed to Board: 2001.

*All holdings valid as at January 1,
2005.*

Auditors, PricewaterhouseCoopers AB



GÖRAN TIDSTRÖM

Authorized Public Accountant

Auditor since 2004.

Born: 1946.

OLOV KARLSSON

Authorized Public Accountant

Auditor since 2004.

Born: 1949.

Corporate Governance Report

company's strategies through plans and goals. The Board makes decisions regarding acquisitions and divestments of operations and major investments, as well as appointments and remunerations for Group Management. In addition, the annual accounts are subject to approval by the Board.

The Chairman

At its statutory meeting on April 22, 2004, the Board elected Anders Narvinger as Chairman until the 2005 Annual General Meeting. No Vice Chairman was elected. The Chairman heads the work of the Board and is responsible for ensuring its compliance with the Swedish Companies Act, other relevant legislation, the rules and regulations governing listed companies and the Board's internal steering documents. It is the responsibility of the Chairman to monitor operations, in consultation with the President, and ensure that other Board members receive the information necessary to maintain a high level of quality in discussions and decisions. The Chairman is responsible for evaluating the Board's activity, and this evaluation is then shared with the Nominations Committee. The Chairman also participates in evaluation and development questions regarding the Group's senior executives. The Chairman represents the company in all ownership questions.

Board activity during the year

According to current Board procedures, the Board must convene seven times a year and otherwise as necessary. In 2004, the Board held nine meetings, of which two were extra meetings. The main topics of discussion were as follows:

No. 1/04: Year-end report, auditing, legal issues and audit bids for the coming four years. Auditor present.

Nos. 2/04 and 3/04: Extra meetings about the divestment of Trenor.

No. 4/04: Follow-up on the integration of Trelleborg Sealing Solutions, evaluation of Board activity, succession planning, activities of the remuneration committee and issues concerning

the Annual General Meeting. Partial first-quarter report.

No. 5/04: Statutory meeting following the Annual General Meeting; committee elections, allocation of fees, authorized signatories, adoption of Board procedures, instructions for the President and instructions for financial reporting.

No. 6/04: Six-month interim report.

No. 7/04: Corporate governance issues, revision of all corporate governance documents, planning of the 2004 external audit. Auditors present.

No. 8/04: Strategic plan, wind-up of Trelleborg tire operations. Third-quarter report.

No. 9/04: Report on external audits as of mid-November. Auditors present.

Attendance at the year's meetings was excellent.

Audit Committee

The 2004 Annual General Meeting decided to endorse the earlier approach, whereby the Board in its entirety acts as audit committee.

Consequently, the entire Board of Directors was responsible for supervision of the systems for internal controls and risk management in 2004. These systems shall ensure that the Group's operations are efficient and conducted in compliance with legislation and regulations and that financial reporting is reliable. The Board revised its steering documents, examined and evaluated the procedures for auditing and accounting and reviewed the work,

qualifications and impartiality of the external auditors. The Board also assisted management in identifying and evaluating the primary risks in the Group's business operations, ensuring that management strives to address and manage these risks.

In addition, the Board received reports from the Company's external auditors on three separate occasions during the year. These reports did not necessitate any particular actions being undertaken by the Board.

Remunerations Committee

From among its members, the Board appoints a Remunerations Committee for the period until the next Annual General Meeting. The Remunerations Committee headed by the Chairman of the Board has the task of determining the salary and terms of employment of the President and other employees who report directly to the President. The committee reports to the Board of Directors. During the period up to the 2005 Annual General Meeting, this committee consists of the Chairman of the Board and Berthold Lindqvist.

The Remunerations Committee convened four times and maintained ongoing communications in conjunction with appointments and other payroll issues. No particular remuneration applies to the committee work of the members of this committee.

Finance Committee

A Finance Committee consisting of the Board Chairman, Rolf Kjellman and Heléne Bergquist represents the Board of

Composition of the Board and number of meetings

	Full Board	Attendance	Remunerations Committee	Attendance	Finance Committee	Attendance
Number of meetings	9		4		3	
Anders Narvinger	X	9	X	4	X	3
Berthold Lindqvist	X	8	X	4		
Staffan Bohman	X	8				
Rolf Kjellman	X	9			X	3
Heléne Bergquist	X	5*			X	3
Claes Lindqvist	X	5*				
Fredrik Arp	X	8				
Kim Davidsson	X	7				
Karin Linsjö	X	9				
Alf Fredlund	X	9				
Rolf Larsson**						

X = Chairman

X = Member

* elected in April

** deputy

Directors in ongoing questions related to financing. The President and the CFO present issues in the Finance Committee. During the year, the Finance Committee produced a revised Finance Policy. The committee held three meetings. No special remuneration applies to the committee work of the members of the Finance Committee.

Remunerations

The fees paid to the members of the Board of Directors who were elected by the Annual General Meeting are established by the Annual General Meeting on the proposal of the Nominations Committee. In 2004, the Chairman of the Board was paid the fee of SEK 600,000 (450,000). The remaining five members who were elected by the Annual General Meeting and are not Group employees have received remuneration totaling SEK 1,125,000 (900,000), distributed as SEK 225,000 each. Consequently, total fees paid to Board members amount to SEK 1,725,000 (1,350,000). No consulting fees or other remunerations have been paid to Board members over and above remuneration established by the Annual General Meeting.

Reporting and control

In 2004, the Trelleborg Group launched a review process under the supervision of the General Counsel, to examine, update and coordinate the reporting and control routines for decision-making in the Group's legal and operational sectors. For several years, efforts have been under way to expand coordination and efficiency-enhancement of risk assessment and risk control, in one area after another. Integrated insurance coverage has been in place for quite some time. In 2004, the Group harmonized and rationalized its management of the insurance-based employee social security.

The Board oversees the quality of

the financial reporting through instructions to the President and by establishing requirements on the content of reports on financial conditions that are submitted regularly to the Board. The Board reads and vets financial reports such as the year-end report and the Annual Report. The Board has delegated the task of vetting press releases with financial content and presentation material for meetings with the media, owners and financial institutions to Group Management.

Group Management

The President manages operations in accordance with the Companies Act and within parameters established by the Board of Directors. In consultation with the Chairman of the Board, he prepares necessary information and basic documentation required for decisions prior to Board meetings and presents the issues and justifications for proposals submitted for decisions by the Board. The President is responsible for work conducted by corporate management and renders decisions in consultation with other members of the management staff, which consists of the heads of the business areas and Group staff functions a total of 13 persons. Overseen by the President, Group management conducts regular reviews of Group operations four to five times each year, often in conjunction with visits to different Group units.

Remunerations

The President, who is also the Chief Executive Officer, received a base salary, variable salary and other remuneration totaling SEK 9,322,000 (7,116,000). Of the total compensation, variable salary accounted for SEK 3,167,000 (1,533,000). The variable salary portion is subject to an upper limit of SEK 4 M and is based 65 percent on consolidated profit before tax. A further 35 percent of variable salary is

based on consolidated net profit. Neither includes the effects of structural changes approved by the Board and both comprise pensionable earnings. In addition, an agreement was signed in 2002 concerning variable salary with a fixed upper limit based on the share price trend in 2002–2004 and based on the starting value of SEK 85 per share.

The final outcome will be calculated in April 2005, based on the average price for Trelleborg shares in the first quarter of 2005. A charge of SEK 2,812,000 has been made against the year's earnings based on a preliminary calculation involving an average price of SEK 112.11 (the average price of Trelleborg shares in December 2004). This outcome does not constitute pensionable income.

The President is entitled by contract to retire at 60, receiving 60 percent of his regular salary between 60–65 years of age and, subsequently, a premium-based employment pension. For this purpose, SEK 3,555,000 (3,019,000) in pension premium was expensed. The President's contract stipulates that the Company is required to give a 24-month period of notice. If the President himself submits his resignation, six months notice is required.

The principles governing compensation to other senior executives (Group management not including the President – see page 83) are based on a fixed salary and a variable salary. The variable portion has a fixed upper limit and comprises 25–30 percent of the total salary, based primarily on the trend of earnings. Some of these senior executives have agreements providing for a mutual entitlement to demand early retirement at 60 or 62. Such early retirement carries with it a contractual compensation of 60 percent of the person's regular salary up to 65 years of age, when the old-age pension generally commences. For these persons, an extended required period of notice – usually 12, 18 or 24 months – also applies if notice is served by the Company.

Use of a company car is an optional benefit available to the President and other senior executives.

In 2000, an annual call options program for senior Group executives was in-

Remunerations to the Board

	Board fees	Variable remuneration	Other benefits	Pension cost	Financial instruments	Other	Total
Anders Narvinger	600,000	–	–	–	–	–	600,000
Board members	1,125,000*	–	–	–	–	–	1,125,000

* SEK 225,000 per Board member

Corporate Governance Report

troduced. The program, which was carried out in 2000, 2001 and 2002, is vested. The program was not renewed in 2004 and consequently, no call options were allocated.

For further information concerning the Trelleborg Group call options program, refer to the section on the Trelleborg share, pages 8–9, and concerning the number of call options per senior executive, refer to the section on Group management, page 83.

Internal audit

Trelleborg has a clearly defined legal and operational structure, a transparent organization and transparent business activities, a well-established distribution of responsibilities, and firmly entrenched internal control and supervision systems. During 2004, Group Management initiated an evaluation and review of the Group's systems for internal control and risk management, which will be presented to the Board on an ongoing basis. The Board has therefore decided not to conduct a formal internal audit.

Auditors

The responsibilities of the Board of Directors include preparing a proposal to the Annual General Meeting of external auditors to be elected at the meeting for a period of four years. The 2004 Annual General Meeting elected the PricewaterhouseCoopers AB firm of authorized public auditors, including Göran Tidström and Olov Karlsson, with Göran Tidström as supervisor. The auditors follow an audit plan that incorporates the comments and concerns of the Board, and report their observations to the Board during the course of the audit and in conjunction with the establishment of the 2004 Annual Report in February 2005. The auditors also participate in the Annual General Meeting, at which they report on the audit and the observations they made. During the year, the auditors have had consulting assignments outside the audit, mainly concerning issues related to IFRS and corporate acquisitions.

Policy documents

Trelleborg has a number of policies and manuals containing binding rules governing the Group's operations and its employees. The Group also has a number of recommendations comprising guidelines and instructions regarding the Group's operations and its employees. Key among the policies and manuals are the following:

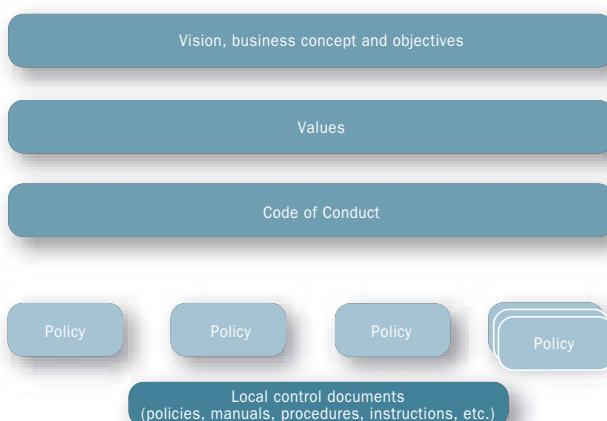
- *Code of Conduct* Trelleborg's Code of Conduct and related recommendations have been prepared for the purpose of defining the Group's basic approach to environmental, social and ethical issues affecting workplaces and relations with suppliers. The Code of Conduct is presented in full at www.trelleborg.com.
- *Financial Manual* The Group's Financial Manual specifies the regulations and guidelines applicable to decisions in financial matters, the structure of financial reporting and what is reported.
- *Finance Policy* The Group's treasury function works in compliance with instructions prepared by the Board of Directors, which provide a framework for the financing of Group operations and how currency risks and risks related to interest rates should be addressed and managed.
- *Information Policy* Trelleborg's Information Policy serves as a document that describes the Group's general principles for the publication of information. During 2003, this policy was revised and expanded in accordance with the current guidelines and requirements to which listed companies are subject.

- *Remuneration policy* Critical in securing the Group's long-term success are the processes monitoring the performance of employees and the extent to which they contribute to the achievement of targets through clear reward systems. The framework for this is specified by a Group-wide policy.

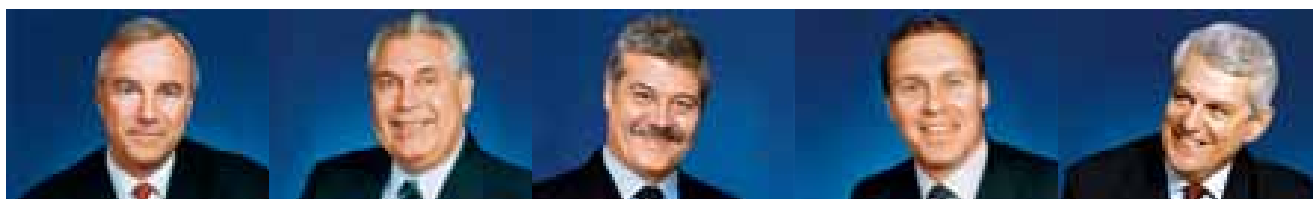
Other policies

Separate policies, manuals and guidelines have also been prepared for the following areas of concern:

- Environmental issues
- Legal issues, such as the engagement of external representation, management of key contracts, principles governing filing of original documents, reporting of disputes and claims, etc.
- Extensive security and safety recommendation may be found in the Group's Risk Manual, which includes the safety of employees and the security of our properties and installations.
- The Group's Insurance Manual details the insurance coverage, how it is administrated and how it works.
- Rules and routines concerning the establishment and reporting of subsidiaries' annual accounts.
- Rules, routines and reporting of subsidiaries' annual general meetings and board activities.
- Rules, routines and reporting of disputes and claims in the year-end report.



Group Management, February 8, 2005



FREDRIK ARP
President and CEO

Qualifications: Graduate in business administration. Chairman of Thule. Board member of Göttinge Industrier. Previously held various senior management positions at Tarkett, Boliden Chemicals and Trelleborg Industri, President of PLM. Holdings 2004: 51,549 shares and 40,000 call options¹⁾. Holdings 2003: 51,549 shares and 65,000 call options. Born: 1953. Employed: 1986-1996, 1999.

GEORGE CAPLEA
Business Area President, Trelleborg Automotive and Executive Vice President, Trelleborg AB

Qualifications: Degree in business administration. Board member of the Rubber Manufacturers Association, RMA. Previously held various positions in the automotive and industrial wheel sectors. Holdings 2004: 30,000 call options¹⁾. Holdings 2003: 30,000 call options. Born: 1950. Employed: 1997.

MAURIZIO VISCHI
Business Area President, Trelleborg Wheel Systems

Qualifications: MBA. Previously held management positions within Pirelli. Holdings 2004: 25,000 call options¹⁾. Holdings 2003: 50,000 call options. Born: 1955. Employed: 1999.

PETER NILSSON
Business Area President, Trelleborg Engineered Systems

Qualifications: M. Sc Eng. Studies in the US, Japan and South Korea. Previously held positions including business unit manager within Trelleborg Engineered Systems. Holdings 2004: 1,500 shares, 10,000 call options¹⁾. Holdings 2003: 18,000 warrants, 20,000 call options. Born: 1966. Employed: 1995.

PETER SUTER
Business Area President, Trelleborg Building Systems

Qualifications: MBA. Chairman BLIC (European Association of the Rubber Industry). Previously President of JD Stenqvist and Fitness International. Holdings 2004: 10,000 shares, 25,000 call options¹⁾. Holdings 2003: 200 shares (own and family members'), 4,500 warrants, 50,000 call options. Born: 1943. Employed 1991.



CLAUS BARSØE
Business Area President, Trelleborg Sealing Solutions

Qualifications: B.Sc. Econ. Previously held positions including market director Alfa Laval and various positions within Busak+Shamban and Polymer Sealing Solutions. Holdings 2004: - Holdings 2003: - Born: 1949. Employed: 2003.

BO JACOBSSON
Chief Financial Officer

Qualifications: University studies in business administration. Previously held positions including CEO of the Scancem Group and CFO of Telia AB. Holdings 2004: 1,000 shares (own and family members'). Holdings 2003: 1,000 shares (own and family members'). Born: 1951. Employed: 1975-1997, 2002.

GERTRUD ANDERSSON
Senior Vice President, Group Finance

Qualifications: Graduate in business administration. Previously held various positions within the Trelleborg Group. Holdings 2004: 44,110 shares, 20,000 call options¹⁾. Holdings 2003: 13,638 shares, 7,600 warrants, 19,400 convertible debentures, 40,000 call options. Born: 1944. Employed: 1963.

CLAES JÖRWALL
Senior Vice President, Taxes and Group Structures

Qualifications: Graduate in business administration. Previously held positions including department manager at the Swedish National Tax Board. Holdings 2004: 473 shares (own and family members'), 20,000 call options¹⁾. Holdings 2003: 473 shares (own and family members'), 40,000 call options. Born: 1953. Employed: 1988.

LARS OLOF NILSSON
Senior Vice President, Business Development

Qualifications: Graduate in business administration. Previously held positions at SEB and Board member of Boliden, Bröderna Edstrand and Ahlsell. Holdings 2004: 1,800 shares, 20,000 call options. Holdings 2003: 1,800 shares, 30,000 call options. Born: 1962. Employed: 1988.



ULF GRADÉN
Senior Vice President, General Counsel and Secretary

Qualifications: Bachelor of Law. Reporting clerk, court of appeal. Previously held positions including corporate legal counsel at Mölnlycke and General Counsel at PLM/Rexam. Holdings 2004: 20,000 call options¹⁾. Holdings 2003: 20,000 call options. Born: 1954. Employed: 2001.

SÖREN ANDERSSON
Senior Vice President, Human Resources

Qualifications: University studies in economics, sociology and pedagogy. Board member of the Industry and Chemistry organisation and the Southwest Skåne chapter of the Southern Swedish Chamber of Commerce and Industry. Previously held several HR positions within SCA. Holdings 2004: 1,000 shares, 20,000 call options¹⁾. Holdings 2003: 1,000 shares, 20,000 call options. Born: 1956. Employed: 1998.

MIKAEL BYSTRÖM
Senior Vice President, Corporate Communications

Qualifications: University studies in communications, economics and behavioral science. Previously held positions including Vice President, Communications at Boliden and other positions within the Trelleborg Group. Holdings 2004: 2,199 shares (own and family members'), 20,000 call options¹⁾. Holdings 2003: 2,199 shares (own and family members'), 20,000 call options. Born: 1961. Employed: 1990.

All holdings valid as at January 1, 2005.

¹⁾ Exercise period October 1, 2004 - March 31 2005, exercise price SEK 122.

Five-year summary

Trelleborg Group (SEK M unless otherwise stated)	2004	2003	2002	2001	2000
Continuing operations					
Net sales	22,912	17,960	17,139	17,589	12,754
Operating profit	879	1,052	842	778	1,151
Profit after financial items	592	911	574	600	933
Net profit	332	585	347	454	646
Divested operations					
Net sales	–	–	491	1,171	900
Operating profit	675	156	104	148	208
Profit after financial items	675	180	103	127	208
Net profit	656	117	63	61	156
Total operating profit	1,554	1,208	946	926	1,359
Total profit after financial items	1,267	1,091	677	727	1,141
Total net profit	988	702	410	515	802
Shareholders' equity	8,118	7,452	7,284	7,690	8,552
Capital employed	14,736	15,810	9,886	10,451	9,675
Financial net assets and liabilities	–6,951	–8,447	–2,962	–3,267	–1,720
Total assets	21,799	22,856	15,400	17,722	17,132
Equity/assets ratio, %	37.8	33.3	48.1	44.2	50.9
Debt/equity ratio, %	84.3	111.1	40.0	41.7	19.7
Capital turnover rate, multiple	1.4	1.5	1.7	1.8	1.9
Investments in plants	1 011	687	739	642	543
Acquisitions and divestments	751	–6,141	–6	–231	–3,849
Return on shareholders' equity, %	12.7	9.5	5.5	6.3	9.0
Earnings per share, SEK	11.20	8.40	4.75	5.35	7.30
Free cash flow per share, SEK	6.05	11.30	8.60	4.55	3.55
Shareholders' equity per share, SEK	90.50	88.40	87.05	88.70	84.60
Shareholders' equity per share after dilution, SEK	90.50	87.60	86.15	87.85	83.45
Average number of employees	21,675	15,855	14,885	16,179	12,397
– of which, outside Sweden	19,117	13,773	12,919	14,125	10,147
Continuing operations, excluding goodwill amortization, restructuring costs and impairment losses (SEK M, unless otherwise stated)					
Operating profit (EBITA)	1,818	1,271	1,010	1,125	982
Profit after financial items	1,531	1,130	742	947	764
Net profit	1,097	788	495	740	538
Operating margin (ROS), %	7.7	6.9	5.7	6.3	5.4
Return on capital employed (ROA), %	11.5	11.4	10.1	10.7	13.2
Return on shareholders' equity, %	14.1	10.7	6.6	9.1	6.1
Earnings per share, SEK	12.40	9.40	5.75	7.65	4.90
Operating cash flow	1,483	1,129	1,029	1,385	749
Operating cash flow per share, SEK	16.80	13.50	11.95	14.35	6.80

*) Values for discontinued operations have been adjusted for comparability.

Financial definitions and glossary

Financial key figures

Debt/equity ratio

Net interest-bearing financial assets/liabilities divided by the total of shareholders' equity and minority interests.

Diluted earnings per share

Net profit/loss divided by the average number of shares outstanding plus the average number of shares added on conversion of outstanding debentures and warrants.

Earnings per share

Net profit/loss divided by the average number of shares outstanding.

Equity/assets ratio

Shareholders' equity plus minority interests divided by total assets.

Financial interest-bearing net assets/liabilities

Interest-bearing financial receivables, investments and liquid funds less interest-bearing liabilities.

Free cash flow

Operating cash flow and cash flow from financial items and tax and the effect of restructuring measures on cash flow.

Return on shareholders' equity

Net profit/loss as a percentage of average shareholders' equity.

Yield

Dividend as a percentage of the market price.

Operating key figures *)

Average number of employees per business area

Including temporary employees and externally contracted temporary resources.

Capital employed

Total assets less interest-bearing investments and non-interest-bearing operating liabilities (including pension liabilities), and excluding tax receivables and tax liabilities.

Capital turnover rate

Net sales divided by average capital employed.

EBITA

Operating profit/loss excluding goodwill amortization, restructuring costs and impairment losses – or including restructuring costs and impairment losses.

Earnings per share

Net profit/loss excluding goodwill amortization, restructuring costs and impairment losses net after tax, divided by the average number of shares outstanding.

Operating cash flow

Sum of operating profit/loss before depreciation/amortization, excluding unappropriated participations in earnings of associated companies, restructuring costs and impairment losses, less net investments for the year and changes in working capital.

Operating margin (ROS – Return on Sales)

Operating profit/loss excluding goodwill amortization, restructuring costs and impairment losses – or including restructuring costs and impairment losses – as a percentage of net sales.

P/E ratio excluding impairment losses and restructuring costs

Quoted share price divided by the earnings per share excluding restructuring costs and impairment losses net after tax.

Return on capital employed (ROA – Return on Assets)

Operating profit/loss excluding goodwill amortization, restructuring costs and impairment losses – or including restructuring costs and impairment losses – as a percentage of average capital employed.

Return on shareholders' equity

Net profit/loss, excluding goodwill amortization, restructuring costs and impairment losses net after tax, divided by average shareholders' equity.

*) For continuing operations.

Glossary

AVS Antivibration system.

Bar Unit for measuring pressure. 1 bar = atmospheric pressure at the earth's surface.

Bitumen-based Asphalt-based.

Boots Vehicle bellows.

Brake shims Rubber/metal alloy rings attached to the brake lining (to minimize screech).

Driveline system (Powertrain) Propulsion system for vehicles, mainly engines and their components.

Elastomer A polymer with high elasticity that can be stretched to at least double its length. Once the exerted pull force is released, the polymer returns almost entirely to its original length.

EPM/EPDM (ethylene-propylene rubber) A type of rubber that is very heat and weather resistant, properties that make it suitable for sealing strips, tubing and vehicle components.

Extrusion Continuous manufacturing process where the material is squirted out through a nozzle, for example for sealing strips and hoses.

NVH (Noise, Vibration, Harshness) An overall term for noise, vibration and sudden movements that the car driver and passengers experience as unpleasant. A car with low NVH values is experienced as comfortable.

OEM (Original Equipment Manufacturer) The end producer of, for example, a car.

Perfluoroelastomer A highly exclusive elastomer with high resistance to heat and chemicals.

Plastics can be divided into two main groups. **Thermoplastics** are non cross-linked plastics that are solid at room temperature but become soft and moldable when heated. **Hard plastics** are cross-linked plastics that disintegrate upon heating and do not regain their properties.

Polymer The word is derived from the Greek "poly", meaning "many" and "meros" meaning "parts". A polymer consists of a long molecular chain of linked repeated units. Polymers are made up of many small molecules – monomers – that are linked in long chains. Examples of polymers are plastics and rubber.

Polymer technology The technology relating to manufacturing processes for polymers in combination with their unique properties.

Polyurethane A polymer in coatings and wear-and-tear products.

PTFE (polytetrafluoroethylene) Highly chemical- and temperature-resistant thermoplastic.

PVC (polyvinylchloride) A thermoplastic used for tubing.

Tier 1 Subcontractors with the highest level of value added and direct suppliers to OEMs. Often have their own subcontractors (Tier 2).

TPE (thermoplastic elastomer) / **TPO** (thermoplastic polyolefin) Recyclable material that is a combination of plastic and rubber.

Vulcanization A process whereby the rubber polymers are cross-linked to make the rubber more elastic. Vulcanization is often carried out at elevated temperatures.

Financial information

Trelleborg AB regularly publishes information on the Group's development in Swedish and English. The Annual Report, interim reports and T-TIME, a magazine for all Group stakeholders, are distributed to all shareholders who wish to receive this information.

Trelleborg also offers services to shareholders via telephone +46 410-670 09 and e-mail, info@trelleborg.com.

The Group's website, www.trelleborg.com, provides information specially directed to shareholders, such as financial information, annual reports dating back to 1976, the latest press releases, share prices and T-TIME magazine. Presentations of the Group's business areas and products are also available here.

Interim reports, annual reports, T-TIME and other financial materials can be ordered from Trelleborg AB, Corporate Communications, Trelleborg AB, Box 153, SE-231 22 Trelleborg, Sweden, Tel: +46 410-670 09 / Fax: +46 410-427 63, e-mail: info@trelleborg.com or www.trelleborg.com

Change of address

Changes of addresses of physical persons who are registered as residents of Sweden are made automatically by VPC AB (the Swedish Securities Register Center). No special notice has to be given to KI, the institution that keeps track of shareholder accounts, or to Trelleborg AB. The standard notification of change of address made at a Swedish post office will suffice.

Please note that shareholders who have chosen not to have their addresses updated automatically must themselves notify KI. Shareholders whose holdings are registered in the name of a trustee should notify the trustee as soon as possible of any changes in their name, address or account number. A special form for such notification is available at banks.

Other shareholders must give notice of changes of address or account numbers to VPC AB, Box 7822, SE-103 97, Stockholm, Sweden, tel: +46 8-402 90 00.

Shareholders should state their personal ID number or corporate identity number when corresponding with VPC AB.

Calendar

Annual General Meeting	April 26
Three-months interim report	April 26
Six-months interim report	July 21
Nine-months interim report	October 25
Year-end report on 2005 operations	February 15, 2006
2005 Annual Report	March, 2006

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- Sales office
- Production and development unit

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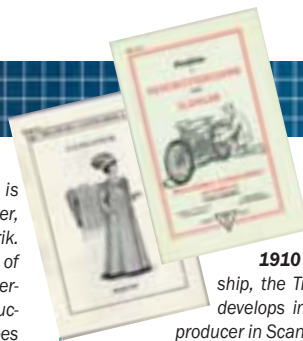
Trelleborg's first 100 years

Some things never change – the passion for finding new solutions to complex problems, for example. That was how it was in 1905 when plant manager Henry Dunker founded Trelleborgs Gummifabriks AB. And that is what it is still like today – 100 years later. On the following three pages, we present a timeline illustrating the history of Trelleborg. We hope you enjoy the read.



1905 Trelleborgs Gummifabrik AB is formed on the initiative of Henry Dunker, president of Helsingborgs Gummifabrik. The new company is a joint venture of Dunker (51 percent) and Trelleborg merchant Johan Kock (49 percent). Production is divided so that rubber overshoes and other rubber footwear are to be manufactured only in Helsingborg, while everything else is to be manufactured in Trelleborg.

1905



1910 Under Dunker's leadership, the Trelleborg plant quickly develops into the leading rubber producer in Scandinavia. Initially, manufacturing is a 50–50 mix of bicycle tires and industrial rubber articles. Serial production of automobile tires is launched in 1907, and of rubber coats in 1910, thus establishing two key product groups that will combine with industrial rubber to form the basis of the operations for a long time.

1910



1930 In honor of the company's twenty-fifth anniversary, workers receive a full week's wages and salaried employees receive a quarter of their monthly salary. The Trelleborg plant is expanded by the addition of a new power station and a new plant for rubber coating of rollers. In the center of London, the company establishes Trelleborg Ebonite Works Ltd. to circumvent the high tax on direct exports from Sweden.

1930



1935 The worldwide deep economic crisis of the beginning of the 1930s has surprisingly little impact on the Trelleborg rubber company. This is partly attributable to the rapid rise of the automobile leading to a doubling of sales of automobile tires, which have now become the company's largest single product group. For the first time, the number of employees exceeds 1,000.

1935



1955 The expansion continues. The company launches the world's first winter tire – the Wittmer – and Europe's first tubeless tire – the Safe-T-Tire. The AB Trelleborgplast subsidiary is formed to meet the challenge of the exciting new material, plastic. Sales reach SEK 125 M and the number of employees has climbed to 3,200. At year-end, the company's fiftieth anniversary is celebrated with gifts of gold watches to 256 loyal employees and lottery bonds to all employees.

1955



1960 The economy is strong and there is a shortage of labor. Internationalization is increasing and exports are growing. A network of agents and dealers in 65 countries is supplemented by the company's own sales companies in Denmark and Norway. It is decided to establish a production company in the Netherlands – that is, inside the recently formed six-state zone, the EEC. Sales exceed SEK 200 M and the number of employees approaches 5,000.

1960

1980 The effects of major investments on the industrial-rubber side to offset a decline in tires are delayed by a deep and widespread recession. Combined with high costs for underutilized employees and idle capacity losses, this results in a total loss of close to SEK 100 M during 1976–1978. The question of financing is troublesome. AB Trelleborgplast and other companies are divested. In one of the country's first sale/lease-back transactions, the historical factory site in Trelleborg is sold. The company name is shortened to Trelleborg AB. The Group's cooperation with Tretorn ceases.

1980



1985 Sales have grown to SEK 2.1 billion and profit to SEK 167 M. Behind it all lies a change of president in 1983. In short order, the incoming president, Rune Andersson, trims away sources of loss, frees up capital and launches a robust expansion, primarily through corporate acquisitions. In 1985 alone, six companies with combined sales of approximately SEK 700 M and bringing 990 more employees to the Group are acquired.

1985





1915 The First World War brings a dramatic upswing in the company's business. The Swedish armed forces need large quantities of gas protection equipment, rubber raincoats and tires. Sales are more than doubled, as is profit. An increasing shortage of raw materials, however, leads to restrictions of operations. Soon, the only way production can be maintained is by "regenerating" scrap rubber – that is, recycling it into new raw material.



1915



1940 The Second World War imposed another readjustment to war-time production and another sharp surge in the company's performance. However, the recently concluded agreement with American-based B.F. Goodrich concerning technical and commercial cooperation on the tires side has to be mothballed. Newly appointed president Hilding Ståhlbrandt steers the company deftly through the war years. Once again, reclaimed scrap rubber saves the day. Following negotiations with the government, the company obtains access to German synthetic rubber.



1945 Johan Kock dies and is succeeded as Chairman of the Board by Henry Dunker. In celebration of the company's fortieth anniversary, 291 veterans who have been employees for 25 years or more are given medals. The rubber-production plant emerges from the war in top form, with money in the bank, a well-equipped plant, substantial technical expertise, high-quality products and a competent sales organization. Hopes for the future are high.



1940

1945

1965 The company's founder and principal owner, Henry Dunker, dies in 1962 at age 92. He leaves his entire fortune to a number of trusts and foundations that to this day control the majority of voting rights in the company. A new stock issue brings the company approximately 500,000 new shareholders. In 1964, the company's shares are listed on the Stockholm Stock Exchange. In 1965, Trelleborg AB embarks on close cooperation with Helsingborgs Gummifabriks AB Tretorn. The two companies acquire a common board, Group management and president. As a result of this cooperation, Trelleborg-Tretorn becomes the seventh largest rubber company in Europe, with sales of over SEK 500 m and 11,000 employees.

1970 Industrial rubber products now account for 62 percent of sales, while the tires proportion has declined to 29 percent. Trelleborg has nine production units and ten sales companies of its own in Sweden. Sales outside Sweden approach 40 percent of the Group's entire sales, supported by three Group-owned plants and ten Group-owned sales companies in a total of 12 countries. Increased competition from low-wage countries destroys the company's business in bowling balls and air mattresses. Production of traditional fabric-based clothing is also phased out. Instead, the transition to sophisticated protective clothing such as chemical and fire-protection suits is accelerated.



1965

1970

1990 Trelleborg is now a conglomerate with 22,000 employees, of whom half are outside Sweden. Its sales are SEK 25.2 billion, generating profit of SEK 2.3 billion. Operations are now dominated by mining and metals (Swedish mining group Boliden plus 50 percent of the Canadian mining giant Falconbridge), followed by wholesale operations in HVAC (Ahlseil) and steel (Bröderna Edstrand). Rubber and plastics, with sales of SEK 3.2 billion, are relegated to third place. Other large units include Enertech, Ventilationsunion, Swegon and the Munksjö Group. The Annual General Meeting appoints Kjell Nilsson to be the new president to succeed Rune Andersson, who is appointed Chairman of the Board.



1995 Business conditions deteriorate sharply. Metal prices plummet and the Swedish construction market collapses, resulting in a total loss of SEK 3.1 billion for 1992-1993. Once again, strengthening the company's financial underpinnings becomes the primary aim. Substantial portions of operations are divested and the remaining operations are concentrated in a number of core areas. The ruthless rationalization program brings results. At year-end 1995, Trelleborg is essentially debt-free following the sale of its holdings in Falconbridge and Munksjö, creating substantial scope for new ventures.



1990

1995

1920 The deep and long-lasting recession has had a heavy impact on the company. Sales are down by two-thirds. Many employees are laid off due to lack of work. The number of employees decreases by one-third, while salaries are cut by 30 percent. For the first time, the company reports a loss. Its first subsidiary – a sales company in Stockholm – is founded.



1925 The recession is followed by a recovery. Sales of hard-rubber products, coats and pneumatic tires rise sharply. Rubber soles and heels are another rapidly growing product group. Annual sales reach SEK 5 M and the number of employees approaches 500.



1920

1925



1950 Shortages of cash, raw materials and labor restrict the company's development in the first post-war years. However, in 1948, business takes off. A number of new plants are established in and outside Trelleborg. Tire production increases three-fold. The number of employees passes the 2,000 mark, and sales approach SEK 70 M. The new president is Åke Ståhlbrandt, taking over after the unexpected death of his father the year before.



1950



1975 Manufacturing of car and truck tires is phased out as a result of the expensive transition to radial tires, massive worldwide overproduction and the driving-down of prices to very low levels. These factors are compounded by Sweden's skyrocketing wage inflation, far exceeding that in other countries. Most of the company's production of bicycle tires is also phased out. Under the supervision of Arne Lundqvist from Svenska IBM AB, who has been appointed to succeed Åke Ståhlbrandt as president the following year, the old hierarchical structure is torn down and replaced by a heavily decentralized organization comprising some 40 independent profit centers.



1975

2000 Under Fredrik Arp, who in the preceding year has succeeded Kjell Nilsson as president, a new strategic orientation is launched. The Group is organized in three sectors – Industrial, Distribution and Other. The next move is to divest most of the Other sector and 51 percent of the Distribution sector. Operations are concentrated in the Industrial sector, which is expanded through corporate acquisitions. At year-end 2000, the Group has sales of SEK 12.4 billion, of which 87 percent are outside Sweden, and 12,400 employees.



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2000

2005 The remaining portion of the Distribution sector has been phased out. The Industrial sector has grown, primarily through three major acquisitions from English companies – the Invensys antivibration operations, the Laird Group's auto parts operations and the Smiths Group Plc.'s operations in polymer-based precision seals. Trelleborg is now one of the world's largest industrial rubber companies, with manufacturing at some 100 plants in 40 countries. Its sales amount to SEK 22.5 billion, of which 90 percent are outside Sweden, and it has approximately 22,000 employees.



2005



Annual General Meeting

The Annual General Meeting of Trelleborg AB (publ) will be held at 3.00 p.m. on Tuesday, April 26, 2005 in Söderslättshallen in Trelleborg, Sweden.

Program

1.00 p.m.	Registration and light refreshments
2.15 p.m.	Meeting hall opens
3.00 p.m.	AGM commences

Notification

Shareholders who wish to participate and vote in the Meeting must be entered in the share register maintained by VPC AB by Friday, April 15, 2005, at the latest, and notify the company of their intention to participate – possibly with assistant – by no later than 3.00 p.m. on Tuesday, April 19, 2005.

Shareholders whose shares have been registered in the name of a trustee, must have temporarily re-registered the shares in their own name by no later than April 15, 2005. Such registration should be requested of the trustee a couple of working days in advance of this date.

Notification of participation in the Annual General Meeting should be sent to:

- Trelleborg AB, Legal Department, Box 153, SE-231 22 Trelleborg
- by e-mail to: anmalan.stamma@trelleborg.com
- by fax to: +46 410-175 89
- by telephone to: +46 410-670 31, or 670 47, or 670 32 or 670 00
- via our website: www.trelleborg.com

The notification should state the shareholder's full name, personal identity number and telephone number. If participation is supported by power of attorney, the power of attorney and – assuming the issuer of the power of attorney is a legal entity – certified proof of registration, or other document proving the signatory's authorization, must be sent to the company prior to the Meeting.

The details provided will only be used in connection with the Meeting and for preparing the voting list.

Proposals to the 2005 Annual General Meeting

Proposed dividend

The Board of Directors and the President propose that a cash dividend of SEK 5.00 (4.50) per share be paid to the shareholders.

Friday, April 29, 2005, is proposed as the date of record. If the Meeting approves the proposal, the dividend will be remitted by VPC AB on Wednesday, May 4, 2005.

Owing to the technical procedures required to effect the dividend payment, the record date and the dividend payment date could be changed to later dates.

Share buyback program

The Board proposes that the Annual General Meeting authorize the Board to resolve to buyback up to 10 percent of the total number of shares in the company. The company currently holds approximately 6.3 million Trelleborg shares. Consequently, the mandate would permit the buyback of at most approximately 3.3 million shares.

Board members

A nominations committee consisting of the Chairman of the Board and representatives of the major owners, corresponding to approximately 65 percent of the votes in Trelleborg, has decided to propose to the Annual General Meeting the re-election of all current Board members.

Election of auditors

External auditors are appointed by the Annual General Meeting for a period of four years. At the 2004 Annual General Meeting, PricewaterhouseCoopers was elected as the external auditors for a four-year period.

Some things never change – like a passion for finding new solutions to complex problems. That is the way it was in 1905 when industrialist Henry Dunker founded Trelleborgs Gummifabriks AB, producing bicycle tires and industrial rubber products. And that is the way it is today – 100 years later.

To us, quality is a state of mind. We adopt an in-depth approach to each problem, aiming for long-term solutions. Yesterday's and today's innovations, know-how and quality form the foundation of tomorrow – Quality is Timeless.

We will be celebrating our centenary with a number of activities during the year. Please visit our centenary website at www.trelleborg.com/centenary. Here, you will find films, links, postcards and more. You can also order our centenary book.



TRELLEBORG

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