



## I N T E R I M   R E P O R T

**JANUARY – JUNE 2005**

### **EARNINGS IMPROVEMENT IN THE SECOND QUARTER**

**The Trelleborg Group increased its net sales to SEK 6,348 M (6,108) in the second quarter of 2005. Organic growth was 4 percent. For continuing operations, excluding restructuring costs and impairment losses, net profit rose 13 percent to SEK 355 M (315). All five business areas reported improved operating profit in the second quarter.**

**Net sales for the first half of the year increased to SEK 12,142 M (11,923). For continuing operations, excluding restructuring costs and impairment losses, net profit was SEK 600 M (600). Operating cash flow improved to SEK 752 M (603).**

- Net sales increased to SEK 6,348 M (6,108) in the second quarter, and to SEK 12,142 M (11,923) in the first half of the year.

■ Profit for the period	<u>Second quarter:</u>	<u>First half of 2005:</u>
• Continuing operations	SEK 355 M (274)	SEK 600 M (555)
• Divested operations	— SEK M (631)	— SEK M (656)
• Total profit for the period	SEK 355 M (905)	SEK 600 M (1,211)

- Earnings per share for the second quarter amounted to SEK 3.90 (10.25) and for the first half of the year, SEK 6.60 (13.75).

■ Key operating ratios for continuing operations, excluding restructuring costs and impairment losses:	<u>Second quarter:</u>	<u>First half of 2005:</u>
• Operating profit	SEK 547 M (517)	SEK 945 M (990)
• Profit before tax	SEK 489 M (444)	SEK 825 M (833)
• Profit for the period	SEK 355 M (315)	SEK 600 M (600)
• Earnings per share	SEK 3:90 (3:50)	SEK 6:60 (6:75)

- Peter Nilsson was appointed as the new President and Chief Executive Officer of the Trelleborg Group effective October 1, 2005. Peter Nilsson is currently the president of Trelleborg Engineered Systems and has been a member of Group management since 2003. He succeeds Fredrik Arp who will leave the Group and his position on the Board of Trelleborg to become the President of the Volvo Car Corporation on October 1.

- Decision to build a new plant in Shanghai for Trelleborg Sealing Solutions. The plant is expected to be completed in the first half of 2006.

- Decision to upgrade the production capacity of Trelleborg Automotive in India, entailing the relocation and expansion of the current operations.

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Effective 2005, Trelleborg applies The European Commission approved International Financial Reporting Standards (IFRS). Comparative figures have been restated from January 1, 2004. This interim report is the first financial report to be presented in accordance with IFRS. See pages 17-18 for more detailed information.

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## First half of 2005

### Key Ratios, Group

SEK M	April - June		Jan - June		July 2004 -	Full year
Key ratios	2005	2004	2005	2004	June 2005	2004
<i>Continuing operations</i>						
Net sales	6 348	6 108	12 142	11 923	23 131	22 912
Operating profit	547	451	945	918	1 262	1 235
Profit before tax	489	378	825	761	1 012	948
Profit for the period	355	274	600	555	775	730
<i>Discontinued operations</i>						
Operating profit	-	631	-	656	-	656
Profit before tax	-	631	-	656	-	656
Profit for the period	-	631	-	656	-	656
<b>Total operating profit</b>	<b>547</b>	<b>1 082</b>	<b>945</b>	<b>1 574</b>	<b>1 262</b>	<b>1 891</b>
<b>Total profit before tax</b>	<b>489</b>	<b>1 009</b>	<b>825</b>	<b>1 417</b>	<b>1 012</b>	<b>1 604</b>
<b>Total profit for the period</b>	<b>355</b>	<b>905</b>	<b>600</b>	<b>1 211</b>	<b>775</b>	<b>1 386</b>
- attributable to equity holders of the parent	352	899	593	1 199	766	1 372
- attributable to minority interest	3	6	7	12	9	14
Earnings per share, SEK <sup>1)</sup>	3,90	10,25	6,60	13,75	8,40	15,55
Free cash flow per share, SEK <sup>2)</sup>	5,55	4,55	4,80	1,85	9,00	6,05
Shareholders' equity per share, SEK			104,30	95,60	104,30	94,45
Financial interest-bearing net assets/liabilities			-7 526	-7 699	-7 526	-6 951
Debt/equity ratio, %			78	88	78	81
Return on shareholders' equity, %	15,2	43,1	13,3	29,9	8,5	17,2
Average number of employees, of whom			21 562	21 925		21 675
- women			5 504	5 510		5 396
- men			16 058	16 415		16 279

### Operating key ratios

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

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

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

<sup>3)</sup> Based on rolling 12-months values

<sup>4)</sup> Operating cash flow related to the average number of shares outstanding

## GROUP

### Net sales, profit and earnings per share

#### Second quarter

Net sales for the Trelleborg Group during the second quarter of 2005 amounted to SEK 6,348 M (6,108). Organic growth was slightly more than 4 percent.

Consolidated operating profit amounted to SEK 547 M (1,082). Profit before tax amounted to SEK 489 M (1,009). Net profit was SEK 355 M (905), while earnings per share were SEK 3.90 (10.25). Profit in the second quarter of 2004 included capital gains and the participation in the profit of Trenor (divested in May 2004) amounting to SEK 631 M.

For continuing operations, excluding restructuring costs and impairment losses, operating profit amounted to SEK 547 M (517). All five of Trelleborg's business areas reported improved operating profit. Profit before tax was SEK 489 M (444) and net profit was SEK 355 M (315). Earnings per share were SEK 3.90 (3.50).

### First half of the year

Net sales for the Trelleborg Group during the first half of 2005 amounted to SEK 12,142 M (11,923). Organic growth was approximately 3 percent.

Consolidated operating profit amounted to SEK 945 M (1,574). Profit before tax amounted to SEK 825 M (1,417). Net profit was SEK 600 M (1,211), while earnings per share were SEK 6.60 (13.75). Profit in the second half of 2004 included capital gains and the participation in the profit of Trenor of SEK 656 M.

For continuing operations, excluding restructuring costs and impairment losses, operating profit amounted to SEK 945 M (990). Earnings before tax amounted to SEK 825 M (833), while net profit amounted to SEK 600 M (600). Earnings per share were SEK 6.60 (6.75). The consolidated operating margin (rolling 12 months) amounted to 7.4 percent (7.8).

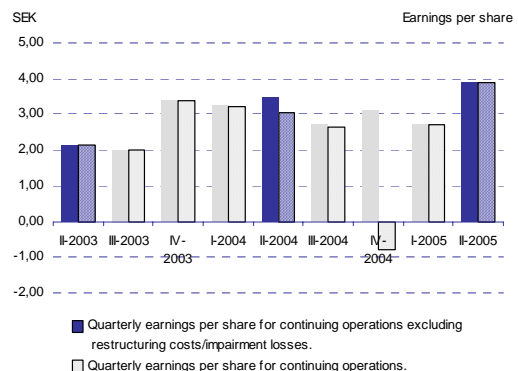
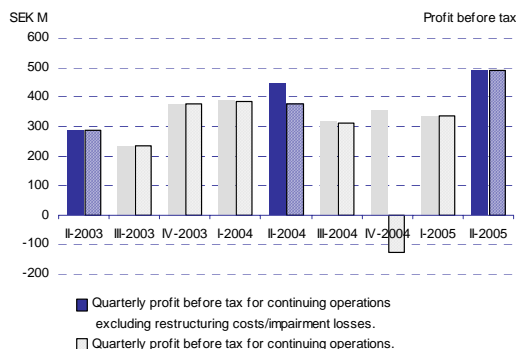
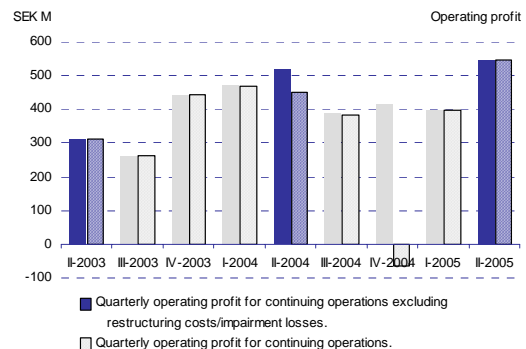
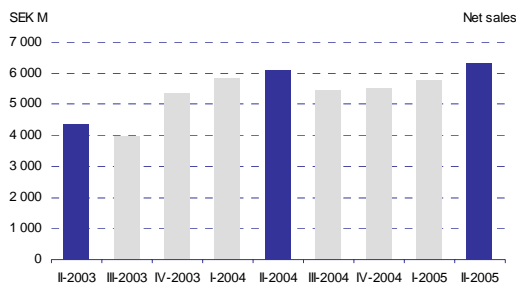
### Balance sheet, cash flow and investment in the first half of 2005

Consolidated operating cash flow for the first half of the year improved to SEK 752 M (603), primarily due to a lower level of investment and more efficient handling of working capital. The level of investment was SEK 397 M (455). At the end of the period, consolidated capital employed was SEK 16,735 M (16,158). The increase attributable to exchange-rate effects was SEK 634 M. Net financial debt amounted to SEK 7,526 M (7,699). The debt-equity ratio at the end of the period amounted to 78 percent (88) and the equity-assets ratio was 38.7 percent (35.9). At the end of the period, shareholders' equity per share (net 90.4 million outstanding) amounted to SEK 104.30 (95.60). Return on shareholders' equity was 13.3 percent (29.9).

The application of IAS 39, Financial Instruments, increased current assets by SEK 19 M as per January 1, 2005. Shareholders' equity increased by SEK 14 M, net after tax.

### Commercial paper

During the second quarter, the Trelleborg Group established a commercial paper program through its subsidiary, Trelleborg Treasury AB (publ). Under this program, Trelleborg can issue commercial paper for a maximum of SEK 2 billion or the equivalent in EUR. The maximum term of this commercial paper is 12 months. The program has been arranged by SEB and the issuing institutions are Danske Bank, Handelsbanken Capital Markets, Nordea and SEB.



## OTHER

### **New President and Chief Executive Officer of Trelleborg**

The Board of Trelleborg AB has appointed Peter Nilsson, President of the Trelleborg Engineered Systems business area, as new President and CEO of the Trelleborg Group. He succeeds Fredrik Arp who is leaving the Trelleborg Group after close to seven years as president. Peter Nilsson will take up his new duties on October 1, 2005.

Peter Nilsson, who is 38 years old and has an M. Sc Eng. degree, has considerable international experience of production and sales in an industrial environment. He has been with the Group since 1995, working in two business areas and in various positions with overall responsibility for operations in Europe, North America and Asia. In the past two years he has been in charge of one of the Group's most expansive business areas, one that has steadily improved its profitability during this period. Since 2003, Peter Nilsson has been a member of Group management.

In completed employee co-determination negotiations, the unions have supported the appointment. The current President, Fredrik Arp, is leaving Trelleborg to become the President of the Volvo Car Corporation. He will then also resign from his seat on the Board of Trelleborg.

Recruitment of a new president for the Engineered Systems business area is ongoing.

### **Acquisitions**

During the period, Trelleborg carried out a complementary acquisition of the operations of Armwest Pty. Ltd. in Perth, Australia, which is the leader in Western Australia in rubber sheeting for specialized applications and materials handling.

A minority stake of 25 percent of the share capital of Ou Saare Martex in Estonia was acquired, with an option to acquire an additional interest in the company.

Trelleborg entered into a joint venture in the Middle East concerning tire distribution, and another in France to distribute hose-connection systems primarily for the chemical and petrochemical industries.

## **PARENT COMPANY**

Effective January 1, 2005, the Parent Company applies recommendation RR32 of the Swedish Financial Accounting Standards Council. The opening balance of shareholders' equity rose by SEK 191 M.

Profit before tax for Trelleborg AB, the Parent Company of the Trelleborg Group, for the first half of the year amounted to SEK 440 M (516). There were no sales. Investments amounted to SEK 7 M (0). The average number of employees was 79 (69).

## OUTLOOK

For the full year 2005, growth is expected to remain favorable in aerospace, agriculture, transportation equipment, oil/gas and other industries. In the automotive industry, a weak trend is expected in Trelleborg's principal markets. In construction and infrastructure-related industry, demand is expected to vary between different geographical sub-markets, with increased demand expected in Scandinavia. Trelleborg is expected to be able to develop at the same level as its underlying markets or somewhat better.

For the full year, the expectations stated in the interim report for January-March remain, that is, earnings for the three remaining quarters, after tax and for continuing units, excluding restructuring costs, are expected to be in line with or somewhat better than the equivalent period in 2004.

Underlying raw material prices for steel have fallen in North America and leveled off in Europe. Efficiency-improvement measures, price adjustments and intensified and active procurement remains a priority in offsetting the negative effects of a higher cost level for raw materials.

Extensive drives and market initiatives are being implemented to utilize the potential that exists to increase organic growth in our prioritized areas.

*Trelleborg, July 21, 2005*

*Fredrik Arp  
President*

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*This interim report has been prepared in accordance with IAS 34 Interim Reports. The accounting principles applied in the preparation of this report are described in the Trelleborg Group's Annual Report as applicable and in the section on the transition to reporting in accordance with IFRS on pages 17 to 18 of this report. The report has not been subject to special review by the Company's auditors. The data on which the diagrams in this report are based are available in Excel format under "Financial information" at [www.trelleborg.com](http://www.trelleborg.com).*

### **Invitation to telephone conference, July 21 at 12:30 CET**

*A telephone conference will be held on July 21 at 12:30 CET. Call +44 20 71 62 01 80 and state the password "Trelleborg." Presentation materials will be available at [www.trelleborg.com](http://www.trelleborg.com) from about half an hour prior to the commencement of the conference. The conference will be recorded and will be available for five days following the conference on tel. +44 207-031 40 64, code 667101.*

### **Calendar**

**Interim report third quarter 2005**    **October 26 (New date)**  
Year-end report 2005                      February 15, 2006

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

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

# Trelleborg Automotive

SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
<i>excluding restructuring costs and impairment losses</i>						
Net sales	2 473	2 480	4 775	4 873	9 084	9 182
Operating profit	186	175	300	345	542	587
ROS, % <sup>1)</sup>			5,6	7,6	5,6	6,0
ROA, % <sup>1)</sup>			10,2	13,6	10,2	11,1
Capital employed			5 620	5 359	5 620	5 132
Operating cash flow	277	241	344	215	469	340
<i>including restructuring costs and impairment losses</i>						
Operating profit	186	109	300	273	357	330
ROS, % <sup>1)</sup>			3,6	6,8	3,6	3,2
ROA, % <sup>1)</sup>			6,7	12,2	6,7	6,2

<sup>1)</sup> Based on rolling 12-months values

## Somewhat improved earnings

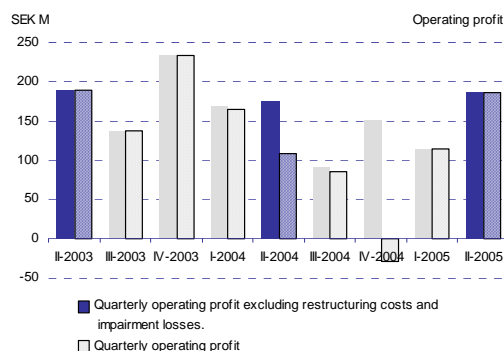
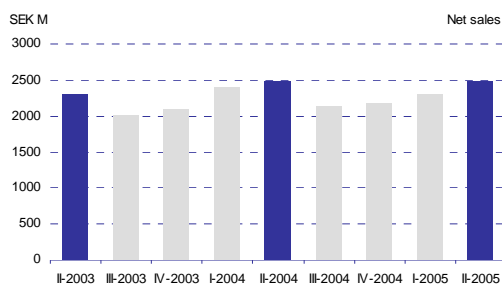
During the second quarter of 2005, a recovery took place in the automotive industry in North America and Europe. In North America, car production declined by 1.5 percent during the quarter. The total decline for the first six months was slightly less than 3 percent. Inventory levels in North America were reduced during the quarter. In Europe, production during the second quarter was at the same level as in 2004, and for the first six months, the decline was slightly less than 1 percent. (Source: JP Powers/Trelleborg).

In comparable currencies/units, the business area's sales during the first six months of the year decreased by approximately 1 percent. During the second quarter, sales in comparable currencies/units were at the same level as in 2004.

Trelleborg Automotive's sales growth in North America is developing according to plan and exceeding the underlying market. Initial effects of stronger order bookings for the next three-year period are beginning to be felt.

Despite negative volume growth in Trelleborg's principal geographic markets, the business area's profits rose during the second quarter. Strong productivity, successful efficiency-improvement measures and the rationalization of operations offset the weak volume trend and price increases for raw materials.

As a consequence of the trend in India, with an expanding customer base and increased sales, a decision has been made regarding the transfer of Trelleborg Automotive's current operations in Ghaziabad to a new production facility in Noida. The new unit provides space for growth through increased production capacity in a modern facility with twice the amount of total space. The transfer is expected to take place during the first half of 2006.



# Trelleborg Sealing Solutions

SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	
Net sales	1 369	1 295	2 626	2 605	5 030	5 009
Operating profit	206	194	373	383	666	676
ROS, % <sup>1)</sup>			13,2	13,2	13,2	13,5
ROA, % <sup>1)</sup>			10,6	9,9	10,6	10,9
Capital employed			6 801	6 234	6 801	6 119
Operating cash flow	185	154	217	273	523	579

<sup>1)</sup> Based on rolling 2-months values

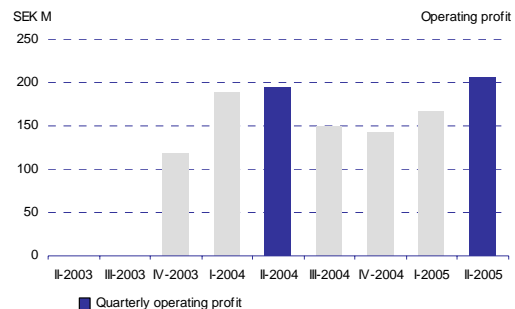
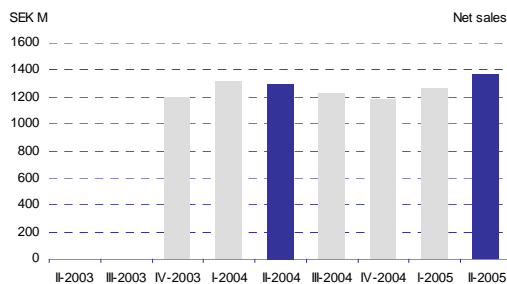
## Decision regarding construction of new plant in Shanghai

The sales trend for Trelleborg Sealing Solutions was favorable during the second quarter with strong growth in prioritized industrial segments in all geographic markets. In comparable currencies/units, sales rose by approximately 2 percent during the first six months. In the second quarter, sales in comparable currencies/units rose by slightly more than 4 percent.

During the quarter, the business area's growth in industry and aerospace was 7 percent, compared with the year-earlier period. Favorable development in these areas more than fully offset the negative trend in sales to the automotive industry, which was compounded by the business area's decision to exit unprofitable operations in this area, affecting the current year.

During the second quarter, Trelleborg Sealing Solutions continued to strengthen its presence in strategic segments and geographic areas. The expansion and build-out of the marketing and distribution organization in North America is developing as planned. In India, the focus has been on the integration of Rollon Hydraulics Pvt., acquired in the first quarter, which has progressed successfully.

A decision was made to construct a new plant in Shanghai, China, for the production of high-quality precision seals in materials including PTFE (a low-friction material). The unit will also house a technical center and a sales office. Production is expected to commence during the first half of 2006. When fully operational, the plant is expected to employ approximately 200 people. The plant strengthens Trelleborg's presence in this important growth region and facilitates further expansion through increased service to new and existing customers in the area.



# Trelleborg Engineered Systems

SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
<i>excluding restructuring costs and impairment losses</i>						
Net sales	1 195	1 115	2 284	2 134	4 283	4 133
Operating profit	90	82	165	150	308	293
ROS, % <sup>1)</sup>			7,2	6,7	7,2	7,1
ROA, % <sup>1)</sup>			16,5	14,1	16,5	15,6
Capital employed			1 971	1 928	1 971	1 758
Operating cash flow	89	115	165	117	369	321
<i>including restructuring costs and impairment losses</i>						
Operating profit	90	82	165	150	190	175
ROS, % <sup>1)</sup>			4,4	6,7	4,4	4,2
ROA, % <sup>1)</sup>			10,3	14,1	10,3	9,3

<sup>1)</sup> Based on rolling 12-months values

## Strong sales trend continues

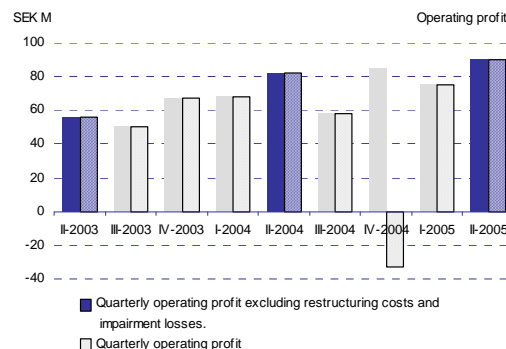
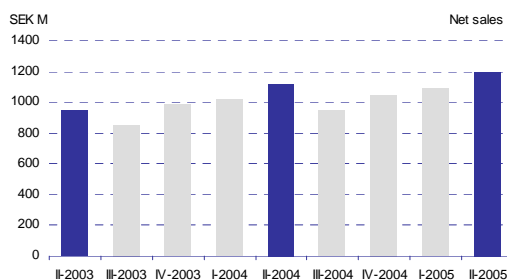
The second quarter of 2005 was characterized by ongoing strong demand in Trelleborg Engineered Systems' markets. In comparable currencies/units, sales by the business area during the first half of the year were up by slightly more than 7 percent on the preceding year.

The tendencies of the preceding quarter were unchanged, entailing strong performance by the Industrial Fluid Systems product area involving several project deliveries related to the oil and gas area. Several major project deliveries occurred within the Engineered Solutions product area as well. Order bookings for this type of delivery remain favorable.

Within this business area, Trelleborg acquired the operations of Armwest Pty. Ltd. in Perth, Australia, which is the leader in Western Australia in rubber sheeting for specialized applications and materials handling. Armwest has net sales of approximately SEK 20 M.

A minority stake of 25 percent of the share capital of Ou Saare Martex in Estonia was also acquired, with an option to acquire an additional interest in the company. Ou Saare Martex, which has about 30 employees, has been producing molded components for Trelleborg for some time.

A joint venture – Trelleborg Fittings SAS – was formed with Etablissements Bloch SA in Lyon for trading in hose-connection systems, primarily in the chemical and petrochemical industries. Etablissements Bloch is a privately owned distributor of flow systems primarily for the petrochemical industry in southeastern France. Trelleborg Engineered Systems is the European leader in industrial hoses for specialized applications.





# Trelleborg Wheel Systems

SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
<i>excluding restructuring costs and impairment losses</i>						
Net sales	804	692	1 570	1 396	2 896	2 722
Operating profit	63	42	121	85	193	157
ROS, % <sup>1)</sup>			6,7	5,0	6,7	5,8
ROA, % <sup>1)</sup>			13,8	8,1	13,8	10,4
Capital employed			1 422	1 542	1 422	1 317
Operating cash flow	114	92	131	80	279	228
<i>including restructuring costs and impairment losses</i>						
Operating profit	63	42	121	85	8	-28
ROS, % <sup>1)</sup>			0,3	5,0	0,3	-1,0
ROA, % <sup>1)</sup>			0,7	8,1	0,7	-1,8

<sup>1)</sup> Based on rolling 2-months values

## Strong growth in sales and earnings

Trelleborg Wheel Systems experienced a strong trend in both agricultural and industrial tires during the second quarter. During the first six months of 2005, sales in comparable currencies/units rose by approximately 14 percent compared with 2004.

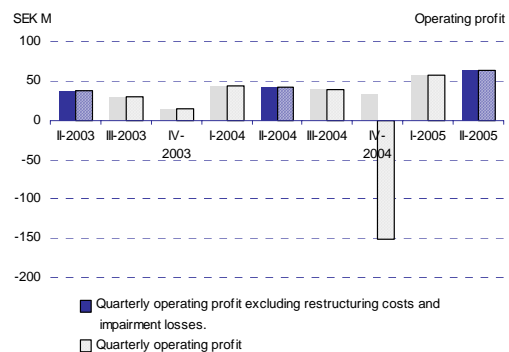
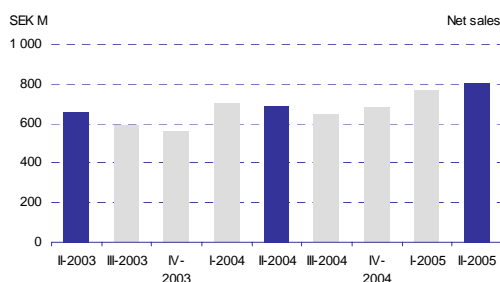
Operating profit for the first six months rose by 42 percent compared with the year-earlier period, a consequence of increased sales volumes, favorable product mix and high utilization of capacity. Price hikes offset increased costs for raw materials.

The market for agricultural tires in Europe was stable. The business area has continued to capture market shares. Deliveries to several new OEM customers, including Massey Ferguson, Claas Renault and Valtra, are under way.

The market for industrial tires remains favorable in Europe, North America and Asia, with particularly strong demand in OEM. This market trend, combined with a favorable customer mix has contributed to a strong increase in sales for the business area, particularly in North America and Europe.

In the Middle East, market coverage has been extended through the establishment of a joint-venture company with Al Dobowi Ltd regarding the distribution of industrial and agricultural tires. The new company, Trelleborg Wheel Systems Middle East Ltd is expected to generate initial sales of approximately SEK 15 M.

The closure and transfer of tire production from the facility in the town of Trelleborg is proceeding according to plan. An agreement has been reached regarding surplus personnel and necessary layoffs, with the result that 98 of the 200 employees who were served notice on October 26, 2004 will be laid off. Notification of termination was given on May 12, 2005. An additional 72 employees will be leaving through natural attrition or early retirement. Costs for the project were charged against earnings for the fourth quarter of 2004.



# Trelleborg Building Systems

SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
Net sales	616	610	1 101	1 105	2 253	2 257
Operating profit	62	61	80	85	185	190
ROS, % <sup>1)</sup>			8,1	8,6	8,1	8,3
ROA, % <sup>1)</sup>			20,6	21,4	20,6	21,0
Capital employed			918	934	918	859
Operating cash flow	48	19	52	34	236	218

<sup>1)</sup> Based on rolling 12-months values

## Increased sales and favorable impact of efficiency-enhancement program

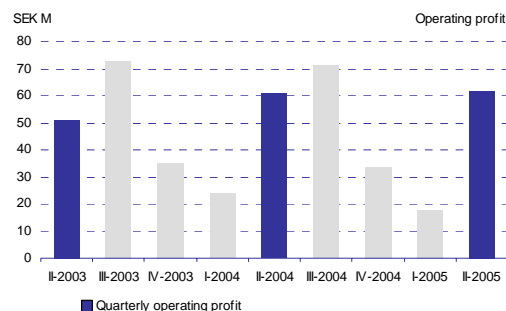
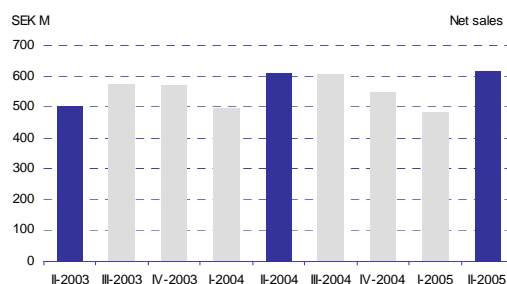
Strong demand in the Scandinavian construction market continued in the second quarter of 2005, particularly in Denmark.

In comparable currencies/units, sales by Trelleborg Building Systems in the first half of the year were up by approximately 2 percent on the preceding year. After a weak start to the year, sales increased during the second quarter.

Strong sales in Waterproofing, including very strong sales in roofing operations, particularly in Denmark, had a favorable impact on earnings. Effects of major deliveries of sealing materials during the quarter included the Ormen Lange gas project in the North Sea. Strong performance for pipe seals also continued.

In the area of Sealing Profiles, a steadily increasing prioritization of highly refined products offering strong profitability has taken place. In line with this, the business area decided not to accept orders involving insufficient margins, which had a certain adverse affect on growth during the period.

During the second quarter, the program of efficiency enhancement under way in Sweden and the UK began to yield favorable effects on earnings. Increased costs for raw materials were offset by price increases.



# Financial Reporting

## Income Statements<sup>1)</sup>

Group SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
<i>Continuing operations</i>						
Net sales	6 348	6 108	12 142	11 923	23 131	22 912
Cost of goods sold	-4 582	-4 435	-8 812	-8 626	-17 234	-17 048
<b>Gross profit</b>	<b>1 766</b>	<b>1 673</b>	<b>3 330</b>	<b>3 297</b>	<b>5 897</b>	<b>5 864</b>
Selling expenses	-537	-510	-1 037	-997	-2 053	-2 013
Administrative expenses	-621	-615	-1 219	-1 206	-2 399	-2 386
Research and development costs	-124	-131	-242	-252	-483	-493
Other operating income/expense	58	26	101	61	266	226
Profit from participation in associated companies	5	8	12	15	34	37
<b>Operating profit</b>	<b>547</b>	<b>451</b>	<b>945</b>	<b>918</b>	<b>1 262</b>	<b>1 235</b>
Financial income and expenses	-58	-73	-120	-157	-250	-287
<b>Profit before tax</b>	<b>489</b>	<b>378</b>	<b>825</b>	<b>761</b>	<b>1 012</b>	<b>948</b>
Tax	-134	-104	-225	-206	-237	-218
<b>Profit for the period</b>	<b>355</b>	<b>274</b>	<b>600</b>	<b>555</b>	<b>775</b>	<b>730</b>
<i>Discontinued operations</i>						
Result from participation in Trenor	-	22	-	47	-	47
Result from sales of shares in Trenor	-	609	-	609	-	609
<b>Operating profit</b>	<b>-</b>	<b>631</b>	<b>-</b>	<b>656</b>	<b>-</b>	<b>656</b>
<b>Profit before tax</b>	<b>-</b>	<b>631</b>	<b>-</b>	<b>656</b>	<b>-</b>	<b>656</b>
<b>Profit for the period</b>	<b>-</b>	<b>631</b>	<b>-</b>	<b>656</b>	<b>-</b>	<b>656</b>
<b>Total operating profit</b>	<b>547</b>	<b>1 082</b>	<b>945</b>	<b>1 574</b>	<b>1 262</b>	<b>1 891</b>
<b>Total profit before tax</b>	<b>489</b>	<b>1 009</b>	<b>825</b>	<b>1 417</b>	<b>1 012</b>	<b>1 604</b>
<b>Total profit for the period</b>	<b>355</b>	<b>905</b>	<b>600</b>	<b>1 211</b>	<b>775</b>	<b>1 386</b>
- attributable to equity holders of the parent	352	899	593	1 199	766	1 372
- attributable to minority interest	3	6	7	12	9	14

<sup>1)</sup> Costs have been distributed in accordance with IFRS. Comparison figures have been reclassified accordingly.

Earnings per share SEK	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
<i>Continuing operations</i>						
Earnings <sup>1)</sup>	3,90	3,05	6,60	6,25	8,45	8,10
Diluted earnings <sup>2)</sup>	3,90	3,10	6,60	6,25	8,45	8,10
<i>Total</i>						
Earnings <sup>1)</sup>	3,90	10,25	6,60	13,75	8,40	15,55
Diluted earnings <sup>2)</sup>	3,90	10,30	6,60	13,75	8,40	15,55
<b>Number of shares</b>						
<i>Excluding own holdings</i>						
End of period	90 357 261	89 717 261	90 357 261	89 717 261	90 357 261	89 717 261
<sup>1)</sup> Average number	90 357 261	88 496 411	89 991 547	87 113 272	89 864 953	88 315 113
End of period after dilution	90 357 261	89 816 487	90 357 261	89 816 487	90 357 261	89 728 866
<sup>2)</sup> Average number after dilution	90 357 261	86 673 553	89 991 547	87 212 498	90 006 019	88 326 738
<i>Treasury shares</i>						
End of period	5 623 100	6 263 100	5 623 100	6 263 100	5 623 100	6 263 100
Average number	5 623 100	6 263 100	5 988 814	6 646 600	6 115 408	6 469 600

**Balance Sheets**

<b>Group</b>	<b>June 30</b>	<b>June 30</b>	<b>Dec 31</b>
<b>SEK M</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
Intangible fixed assets	7 850	7 391	7 180
Tangible fixed assets	5 734	5 936	5 399
Financial fixed assets	905	719	873
<b>Total fixed assets</b>	<b>14 489</b>	<b>14 046</b>	<b>13 452</b>
Inventories	3 081	2 850	2 826
Current operating receivables	6 382	6 257	5 366
Interest-bearing current receivables	145	0	33
Cash and cash equivalents	673	1 152	475
<b>Total current assets</b>	<b>10 281</b>	<b>10 259</b>	<b>8 700</b>
<b>Total assets</b>	<b>24 770</b>	<b>24 305</b>	<b>22 152</b>
Shareholders' equity, excluding minority share	9 425	8 576	8 475
Minority share	159	138	128
<b>Total shareholders' equity</b>	<b>9 584</b>	<b>8 714</b>	<b>8 603</b>
Long-term interest-bearing liabilities	8 085	8 473	7 150
Other long-term liabilities	1 279	1 190	1 197
<b>Total long-term liabilities</b>	<b>9 364</b>	<b>9 663</b>	<b>8 347</b>
Interest-bearing current liabilities	264	379	310
Other current liabilities	5 558	5 549	4 892
<b>Total current liabilities</b>	<b>5 822</b>	<b>5 928</b>	<b>5 202</b>
<b>Total shareholders' equity and liabilities</b>	<b>24 770</b>	<b>24 305</b>	<b>22 152</b>

<b>Specification of changes in shareholders' equity</b>	<b>June 30</b>	<b>June 30</b>	<b>Dec 31</b>
<b>SEK M</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
<i>Attributable to equity holders of the parent</i>			
Opening balance, January 1	8 475	7 309	7 307
Adjustment of opening balance of shareholders' equity in accordance with IAS 39	14	-	-
New share issue in connection with loan conversion	-	207	207
New share issue in connection with exercise of warrants	-	89	89
Transfer of treasury shares at exercise of call options	78	79	79
Cash flow hedges, net after tax	-17	-	-
Translation difference	959	180	-306
Exchange-rate difference for the period on hedging instruments after tax	-225	-91	123
Profit for the period	593	1 199	1 372
Dividend	-452	-396	-396
<b>Closing balance</b>	<b>9 425</b>	<b>8 576</b>	<b>8 475</b>
<i>Attributable to minority interest</i>			
Opening balance, January 1	128	152	152
Acquisitions	-	-30	-27
Translation difference	25	6	-9
Profit for the period	7	12	14
Dividend	-1	-2	-2
<b>Closing balance</b>	<b>159</b>	<b>138</b>	<b>128</b>
<b>Sum Closing balance, shareholders' equity</b>	<b>9 584</b>	<b>8 714</b>	<b>8 603</b>

**Cash flow statements**

SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
<b>Operating activities</b>						
Operating profit	547	1082	945	1 574	1 262	1 891
Adjustments for items not included in cash						
Result from disposal of Trenor	-	-609	-	-609	-	-609
Amortization, intangible assets	13	8	27	14	47	34
Depreciation, tangible assets	195	206	383	410	781	808
Impairment losses	-	-	-	-	313	313
Provisions for restructuring measures	-	60	-	60	163	223
Undistributed result from participation in associated companies	34	20	27	-12	7	-32
	<b>789</b>	<b>767</b>	<b>1 382</b>	<b>1 437</b>	<b>2 573</b>	<b>2 628</b>
Interest received and other financial items	90	60	113	77	67	31
Interest paid and other financial items	-62	-72	-141	-170	-290	-319
Taxes paid	-111	-139	-204	-220	-363	-379
<b>Cash flow from ongoing operations before changes in working capital</b>	<b>706</b>	<b>616</b>	<b>1 150</b>	<b>1 124</b>	<b>1 987</b>	<b>1 961</b>
Cash flow from changes in working capital:						
Change in inventories	0	-13	-18	-46	-118	-146
Change in operating receivables	-221	-296	-558	-984	137	-289
Change in operating liabilities	243	363	305	604	-89	210
Utilization of restructuring provisions	-37	-	-68	-	-98	-30
<b>Cash flow from ongoing operations</b>	<b>691</b>	<b>670</b>	<b>811</b>	<b>698</b>	<b>1 819</b>	<b>1 706</b>
<b>Investing activities</b>						
Business combinations	-13	-61	-113	-372	-87	-346
Restructuring measures in business combinations	-11	-45	-20	-126	-142	-248
Disposals	-	1 097	-	1 097	-	1 097
Gross investments in intangible fixed assets	-48	-37	-80	-79	-171	-170
Gross investments in tangible fixed assets	-170	-205	-317	-376	-782	-841
Sale of fixed assets	36	11	38	47	82	91
<b>Cash flow from investing activities</b>	<b>-206</b>	<b>760</b>	<b>-492</b>	<b>191</b>	<b>-1 100</b>	<b>-417</b>
<b>Financing activities</b>						
Change in interest-bearing investments	39	154	-79	156	-102	133
Change in interest-bearing liabilities	50	-843	314	-676	-715	-1 705
Dividend paid to shareholders	-452	-396	-452	-396	-452	-396
Dividend paid to minority	-1	-2	-1	-2	-1	-2
New share issue in connection with the exercise of warrants	-	4	-	89	-	89
Transfer of treasury shares in connection with exercise of call options	78	72	78	79	78	79
<b>Cash flow from the financing activities</b>	<b>-286</b>	<b>-1 011</b>	<b>-140</b>	<b>-750</b>	<b>-1 192</b>	<b>-1 802</b>
<b>Cash flow for the period</b>	<b>199</b>	<b>419</b>	<b>179</b>	<b>139</b>	<b>-473</b>	<b>-513</b>
Cash and cash equivalents:						
At beginning of the period	438	741	475	999	1 152	999
Reclassification at beginning of the period	-	-	-36	-	-36	-
Exchange rate differences	36	-8	55	14	30	-11
<b>Cash and cash equivalents at end of period</b>	<b>673</b>	<b>1 152</b>	<b>673</b>	<b>1 152</b>	<b>673</b>	<b>475</b>

**Acquisitions January - June**

SEK M	2005		2004	
	Within Sealing Solutions, Engineered Systems and Wheel Systems	Metzeler Automotive Hose Systems	Others	
Purchase price incl. acquisition expenses	113	285	87	
Net realizable value of acquired assets	27	257	59	
Goodwill	86	28	28	
Acquired assets and liabilities:				
Tangible assets	14	136	3	
Associated companies	3	0	0	
Operating assets	15	283	26	
Cash and cash equivalents	-	31	-	
Minority share	-	-	30	
Operating liabilities	-5	-162	0	

SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
<i>Continuing operations excl restructuring costs and impairment losses</i>						
Net sales	6 348	6 108	12 142	11 923	23 131	22 912
EBITDA	755	731	1 355	1 414	2 578	2 637
Operating profit	547	517	945	990	1 750	1 795
Profit for the period	355	315	600	600	1 122	1 122
<i>Continuing operations incl restructuring costs and impairment losses</i>						
EBITDA	755	665	1 355	1 342	2 403	2 390
Operating profit	547	451	945	918	1 262	1 235
Profit for the period	355	274	600	555	775	730

SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
<b>Restructuring costs/impairment losses</b>						
Restructuring costs	-	-66	-	-72	-175	-247
Impairment losses	-	-	-	-	-313	-313
<b>Total</b>	<b>-</b>	<b>-66</b>	<b>-</b>	<b>-72</b>	<b>-488</b>	<b>-560</b>
<i>These costs and impairment losses are distributed among the relevant business areas as follows:</i>						
Trelleborg Automotive	-	-66	-	-72	-185	-257
Trelleborg Engineered Systems	-	-	-	-	-118	-118
Trelleborg Wheel Systems	-	-	-	-	-185	-185
<b>Total before tax</b>	<b>-</b>	<b>-66</b>	<b>-</b>	<b>-72</b>	<b>-488</b>	<b>-560</b>
<b>Total after tax</b>	<b>-</b>	<b>-41</b>	<b>-</b>	<b>-45</b>	<b>-347</b>	<b>-392</b>

SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
<b>Net sales</b>						
Trelleborg Automotive	2 473	2 480	4 775	4 873	9 084	9 182
Trelleborg Sealing Solutions	1 369	1 295	2 626	2 605	5 030	5 009
Trelleborg Engineered Systems	1 195	1 115	2 284	2 134	4 283	4 133
Trelleborg Wheel Systems	804	692	1 570	1 396	2 896	2 722
Trelleborg Building Systems	616	610	1 101	1 105	2 253	2 257
Eliminations	-109	-84	-214	-190	-415	-391
<b>Total</b>	<b>6 348</b>	<b>6 108</b>	<b>12 142</b>	<b>11 923</b>	<b>23 131</b>	<b>22 912</b>

SEK M	April - June		Jan - June		July 2004 -	Full year
	2005	2004	2005	2004	June 2005	2004
<b>Operating profit before depreciations (EBITDA)</b>						
<i>Continuing operations excluding restructuring costs</i>						
Trelleborg Automotive	279	271	483	534	910	961
Trelleborg Sealing Solutions	248	235	455	463	829	837
Trelleborg Engineered Systems	120	114	226	214	434	422
Trelleborg Wheel Systems	86	69	168	139	291	262
Trelleborg Building Systems	77	76	110	116	247	253
Other companies	-4	-2	-6	-2	-6	-2
Group items	-51	-32	-81	-50	-127	-96
<b>Total</b>	<b>755</b>	<b>731</b>	<b>1 355</b>	<b>1 414</b>	<b>2 578</b>	<b>2 637</b>
<i>Continuing operations including restructuring costs</i>						
Trelleborg Automotive	279	205	483	462	862	841
Trelleborg Sealing Solutions	248	235	455	463	829	837
Trelleborg Engineered Systems	120	114	226	214	391	379
Trelleborg Wheel Systems	86	69	168	139	207	178
Trelleborg Building Systems	77	76	110	116	247	253
Other companies	-4	-2	-6	-2	-6	-2
Group items	-51	-32	-81	-50	-127	-96
<b>Total</b>	<b>755</b>	<b>665</b>	<b>1 355</b>	<b>1 342</b>	<b>2 403</b>	<b>2 390</b>

SEK M	Operating profit					
	April - June		Jan - June	July 2004 -	Full year	
	2005	2004	2005	2004	June 2005	2004
<i>Continuing operations excluding restructuring costs and impairment losses</i>						
Trelleborg Automotive	186	175	300	345	542	587
Trelleborg Sealing Solutions	206	194	373	383	666	676
Trelleborg Engineered Systems	90	82	165	150	308	293
Trelleborg Wheel Systems	63	42	121	85	193	157
Trelleborg Building Systems	62	61	80	85	185	190
Other companies	-6	-3	-10	-6	-14	-10
Group items	-54	-34	-84	-52	-130	-98
<b>Total</b>	<b>547</b>	<b>517</b>	<b>945</b>	<b>990</b>	<b>1 750</b>	<b>1 795</b>
<i>Continuing operations including restructuring costs and impairment losses</i>						
Trelleborg Automotive	186	109	300	273	357	330
Trelleborg Sealing Solutions	206	194	373	383	666	676
Trelleborg Engineered Systems	90	82	165	150	190	175
Trelleborg Wheel Systems	63	42	121	85	8	-28
Trelleborg Building Systems	62	61	80	85	185	190
Other companies	-6	-3	-10	-6	-14	-10
Group items	-54	-34	-84	-52	-130	-98
<b>Total</b>	<b>547</b>	<b>451</b>	<b>945</b>	<b>918</b>	<b>1 262</b>	<b>1 235</b>

	Operating margin, (ROS) % <sup>1)</sup>		
	July 2004 -	July 2003 -	Full year
	June 2005	June 2004	2004
<i>Continuing operations excluding restructuring costs and impairment losses</i>			
Trelleborg Automotive	5,6	7,6	6,0
Trelleborg Sealing Solutions	13,2	13,2	13,5
Trelleborg Engineered Systems	7,2	6,7	7,1
Trelleborg Wheel Systems	6,7	5,0	5,8
Trelleborg Building Systems	8,1	8,6	8,3
<b>Total</b>	<b>7,4</b>	<b>7,8</b>	<b>7,7</b>
<i>Continuing operations including restructuring costs and impairment losses</i>			
Trelleborg Automotive	3,6	6,8	3,2
Trelleborg Sealing Solutions	13,2	13,2	13,5
Trelleborg Engineered Systems	4,4	6,7	4,2
Trelleborg Wheel Systems	0,3	5,0	-1,0
Trelleborg Building Systems	8,1	8,6	8,3
<b>Total</b>	<b>5,3</b>	<b>7,5</b>	<b>5,2</b>

1) Operating profit excluding participations in associated companies in relation to net sales, based on rolling 12-months values.

	Return on capital employed, (ROA) % <sup>2)</sup>		
	July 2004 -	July 2003 -	Full year
	June 2005	June 2004	2004
<i>Continuing operations excluding restructuring costs and impairment losses</i>			
Trelleborg Automotive	10,2	13,6	11,1
Trelleborg Sealing Solutions	10,6	9,9	10,9
Trelleborg Engineered Systems	16,5	14,1	15,6
Trelleborg Wheel Systems	13,8	8,1	10,4
Trelleborg Building Systems	20,6	21,4	21,0
<b>Total</b>	<b>11,0</b>	<b>11,4</b>	<b>11,2</b>
<i>Continuing operations including restructuring costs and impairment losses</i>			
Trelleborg Automotive	6,7	12,2	6,2
Trelleborg Sealing Solutions	10,6	9,9	10,9
Trelleborg Engineered Systems	10,3	14,1	9,3
Trelleborg Wheel Systems	0,7	8,1	-1,8
Trelleborg Building Systems	20,6	21,4	21,0
<b>Total</b>	<b>8,0</b>	<b>10,9</b>	<b>7,7</b>

2) Operating profit in relation to average capital employed, based on rolling 12-months values.

SEK M	Capital employed <sup>3)</sup>		
	June 30 2005	June 30 2004	Dec 31 2004
<i>Continuing operations</i>			
Trelleborg Automotive	5 620	5 359	5 132
Trelleborg Sealing Solutions	6 801	6 234	6 119
Trelleborg Engineered Systems	1 971	1 928	1 758
Trelleborg Wheel Systems	1 422	1 542	1 317
Trelleborg Building Systems	918	934	859
Other companies	143	149	144
Group items	-19	72	-33
Provisions for restructuring measures	-121	-60	-184
<b>Total</b>	<b>16 735</b>	<b>16 158</b>	<b>15 112</b>

3) Total assets less interest-bearing investments and no-interest bearing operating liabilities (including pension liabilities), and excluding tax receivables and tax liabilities.

SEK M	EBITDA excluding undistributed result from associated companies		Gross investments		Sold fixed assets		Change in working capital		Cash flow report Total cash flow		
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	July 2004 - June 2005
Trelleborg Automotive	529	588	-235	-254	1	2	49	-121	344	215	469
Trelleborg Sealing Solutions	465	474	-63	-94	16	9	-201	-116	217	273	523
Trelleborg Engineered Systems	235	221	-34	-51	1	6	-37	-59	165	117	369
Trelleborg Wheel Systems	174	144	-31	-28	0	29	-12	-65	131	80	279
Trelleborg Building Systems	114	120	-26	-27	1	1	-37	-60	52	34	236
Other companies	-6	-2	-	-1	-	-	1	3	-5	0	-8
Group items	-129	-96	-8	-	19	-	-34	-20	-152	-116	-236
<b>Operating cash flow</b>	<b>1 382</b>	<b>1 449</b>	<b>-397</b>	<b>-455</b>	<b>38</b>	<b>47</b>	<b>-271</b>	<b>-438</b>	<b>752</b>	<b>603</b>	<b>1 632</b>
Restructuring measures for which provisions were made in the acquisition balance sheet									-20	-126	-142
Other restructuring measures									-68	-	-98
Dividend paid to minority									-1	-2	-1
Financial items									-28	-93	-223
Paid tax									-204	-220	-363
<b>Free cash flow</b>									<b>431</b>	<b>162</b>	<b>805</b>
Acquisitions									-113	-372	-87
Disposals									-	1097	-
Dividend paid to shareholders									-452	-396	-452
Exercise of warrants and call options									78	168	78
<b>Sum net cash flow</b>									<b>-56</b>	<b>659</b>	<b>344</b>



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

Effective January 1, 2005, the Trelleborg Group reports in accordance with European Commission approved International Financial Reporting Standards (IFRS). The transition is accounted for in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards," which stipulates that the comparative year 2004 shall also be reported in accordance with IFRS, with the exception of IAS 39 Financial Instruments: Recognition and Measurement, which is reported from January 1, 2005.

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 shareholders' equity and net profit in accordance with IFRS and the effect of IAS 39 on the opening balance of shareholders' equity at January 1, 2005.

	January 1 2004	June 30 2004	December 31 2004
<b>Shareholders' equity, SEK M</b>			
Shareholders' equity in accordance with Swedish accounting principles	7 452	8 399	8 118
Goodwill amortization		200	403
Restructuring costs attributable to acquisitions in 2004		-12	-24
Tax	-14	-11	-9
Minority interest	152	138	128
Translation differences		0	-13
<b>Shareholders' equity in accordance with IFRS</b>	<b>7 590</b>	<b>8 714</b>	<b>8 603</b>
Adjustment of opening balance in accordance with IAS 39			14
<b>Shareholders' equity January 1, 2005 in accordance with IFRS</b>			<b>8 617</b>

	April - June 2004	Jan - June 2004	Full year 2004
<b>Profit for the period, SEK M</b>			
Profit for the period, continuing operations in accordance with previous accounting principles	172	352	332
Reversal of goodwill amortization	100	200	403
Restructuring costs affecting calculation of goodwill	-6	-12	-24
Tax	2	3	5
Profit for the period attributable to equity holders of the parent for continuing operations in accordance with IFRS	268	543	716
Profit for the period, discontinued operations in accordance with previous accounting principles	638	656	656
Goodwill amortization	-7	-	-
Profit for the period attributable to equity holders of the parent for discontinued operations in accordance with IFRS	631	656	656
Profit for the period attributable to equity holders of the parent in accordance with previous accounting principles	810	1 008	988
<b>Total profit for the period attributable to equity holders of the parent in accordance with IFRS</b>	<b>899</b>	<b>1 199</b>	<b>1 372</b>

### IFRS 1 – First-time adoption of IFRS

The standard contains transitional rules for the introduction of IFRS. The guiding principle is that European Commission approved IFRS shall be applied retroactively, subject to certain exceptions:

- IFRS 3 Business Combinations shall be applied from January 1, 2004.
- IAS 39 shall be applied from January 1, 2005.

The Trelleborg Group reports in accordance with the above permitted exceptions.

### **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 losses testing is conducted on an annual basis, or more frequently if there is an indication of impairment losses in value. The Trelleborg Group conducted impairment losses testing in the fourth quarter of 2004 to determine the value of goodwill. This testing did not indicate any impairment losses. In conjunction with the transition to IFRS, goodwill amortization was reversed in an amount of SEK 200 M for the first half of 2004 and in an amount of SEK 403 M for the full year 2004. Impairment losses testing will be conducted annually during the fourth quarter or whenever there is any indication of impairment losses in value.

IFRS 3 also entails changes in the rules for allocating the cost of an acquisition between goodwill and other intangible fixed assets. Only minor acquisitions were made in 2004 and an analysis by the Group shows that the intangible assets pertained to goodwill.

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 12 M for the first half of 2004 and SEK 24 M for the full year 2004.

### **IAS 39 – Financial Instruments: Recognition and Measurement**

The Trelleborg Group applies hedge accounting for financial instruments with the purpose of hedging the following financial risks:

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

The market value of all derivatives is assessed on an ongoing basis. Changes in the market value of the above financial instruments are reported in the balance sheet as shareholders' equity in cases where hedge effectiveness is presumed to exist.

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

The Group assess that embedded derivatives do not exist.

The application of IAS 39 has increased the opening balance of shareholders' equity at January 1, 2005 by SEK 14 M, net after tax.