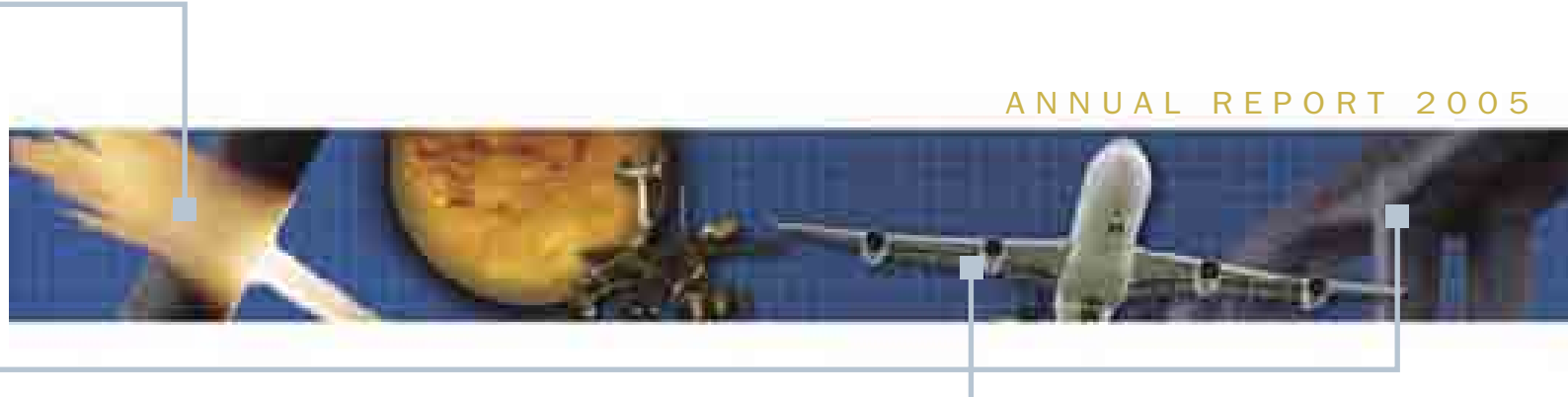


Solutions Securing Values™

ANNUAL REPORT 2005





www. This symbol indicates that additional, related information is available at www.trelleborg.se

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 2005 in Swedish.

Unless otherwise stated, figures in parentheses relate to the 2004 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.

Best Annual Reports 2005

Report Watch by e.com

The Trelleborg Group's Annual Report 2004 ranked second-best in Europe and fourth-best in the world when research company E-com and investor magazine IR-Real conducted their global annual study of listed companies' annual reports.

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Financial information

The Annual Report, interim reports and T-TIME, a magazine for all Group stakeholders, and other financial materials can be ordered from Trelleborg AB, Corporate Communications, Box 153, SE-231 22 Trelleborg, Sweden, Tel: +46 (0) 410-670 09, Fax: +46 (0) 410-427 63, e-mail: info@trelleborg.com or at www.trelleborg.com.

Trelleborg also offers services to shareholders via tel: +46 (0) 410-670 09 and e-mail, info@trelleborg.com.

Change of address

Changes of address of physical persons who are registered as residents of Sweden are made automatically by VPC AB (the Swedish Securities Register Center).

Please note that shareholders who have chosen not to have their addresses updated automatically must themselves notify the account-operating institute. 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 (0) 8-402 90 00.

Calendar

Annual General Meeting	April 25
Three-month interim report	April 25
Six-month interim report	July 19
Nine-month interim report	October 27
Year-end report on 2006 operations	February 13, 2007
2006 Annual Report	March, 2007

Contacts

Bo Jacobsson, Chief Financial Officer
Tel: +46 (0) 410-670 99, Fax: +46 (0) 410-137 45, Mobile: +46 (0) 70-685 65 60
e-mail: bo.jacobsson@trelleborg.com

Mikael Byström, Senior Vice President, Investor Relations
Tel: +46 (0) 410-670 37, Fax: +46 (0) 410-427 63, Mobile: +46 (0) 708-55 21 69
e-mail: mikael.bystrom@trelleborg.com

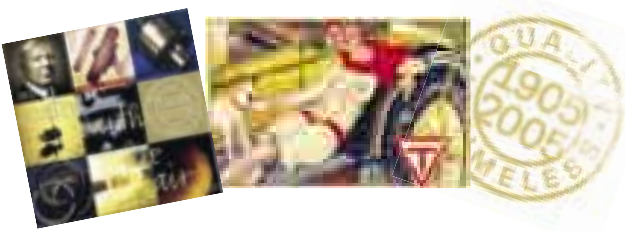
Viktoria Bergman, Senior Vice President, Corporate Communications
Tel: +46 (0) 410-670 94, Fax: +46 (0) 410-427 63, Mobile: +46 (0) 708-47 57 33
e-mail: viktoria.bergman@trelleborg.com

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.

Trelleborg was founded in 1905 and its headquarters are located in Trelleborg, Sweden. Today, the Group has about 22,000 employees and operations in some 40 countries.

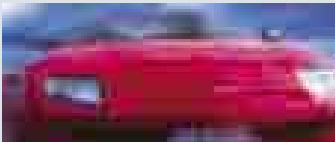
In 2005, the Trelleborg Group celebrated its centenary with a series of events around the world for its employees, customers and other friends. On the occasion of this special event, the Group published a detailed centenary book, written by author Agneta Ulfstätter-Troell and Trelleborg historian Carl Aspegren. The slogan "Quality is timeless" characterized the year.



Five 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 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 1st to 3rd

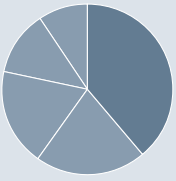
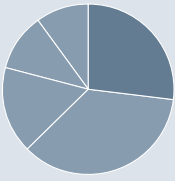
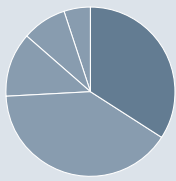
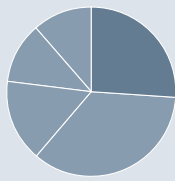
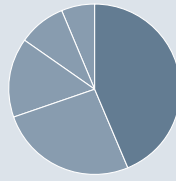
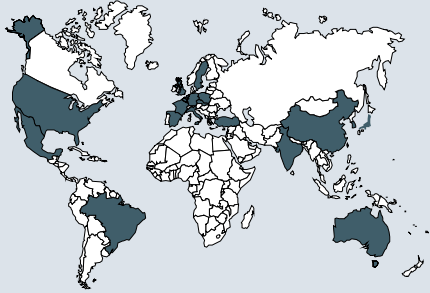


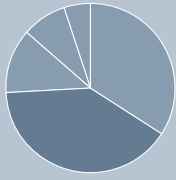

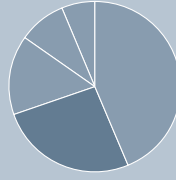
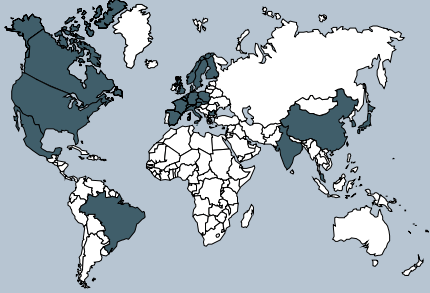

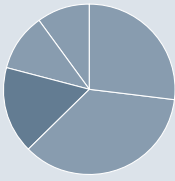
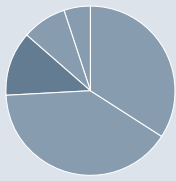
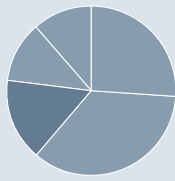
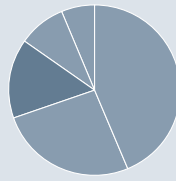
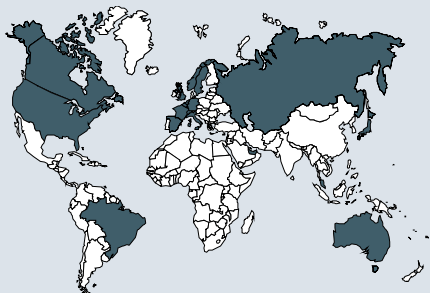


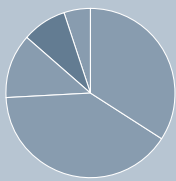

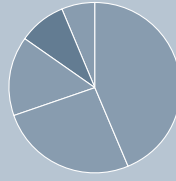
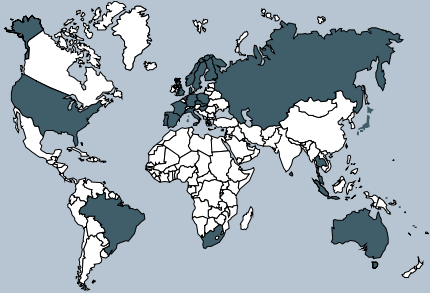
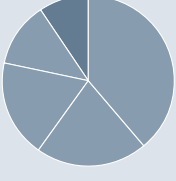
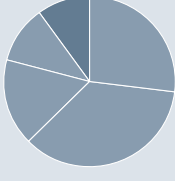
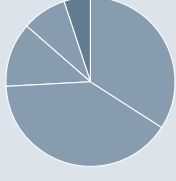
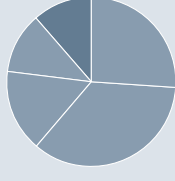
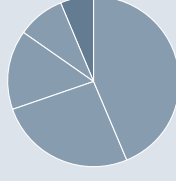
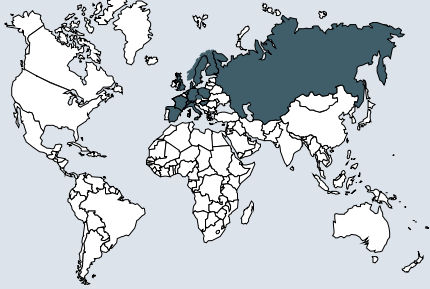
	Europe	USA	World
Automotive AVS	●	●	●
Industrial AVS	●	●	●
Brake shims	●	●	●
Vehicle boots	●	●	●
Engine cooling hoses	●		

	Europe	USA	World
Precision seals for the aerospace industry	●	●	●
Precision seals for the automotive industry	●		
Precision seals for industrial applications	●		

	Europe	USA	World
Industrial hose	●		●
Rubber sheeting	●		●
Marine fender systems	●	●	●
Dredging hose	●	●	●
Tunnel seals	●		●
Chemical protection suits	●	●	●
Oil hose	●		

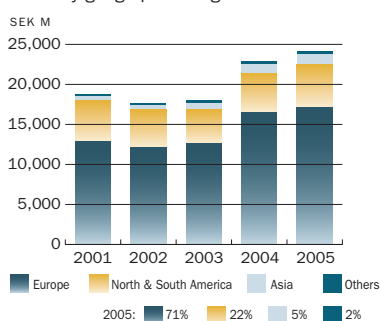
	Europe	USA	World
Agricultural tires	●		
Solid industrial tires	●	●	●

	Europe	USA	World
Industrial profiles	●		●
Consumer profiles	●		●
Pipe seals	●		
Sealing membranes, rubber	●		

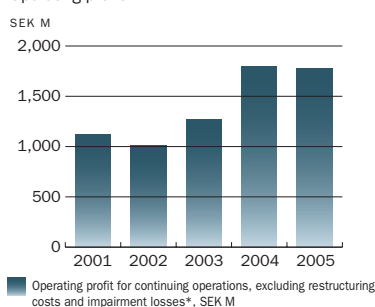
Share of net sales, Group	Share of operating profit, Group	Share of capital employed	Share of operating cash flow	Average number of employees	Geographic locations <i>Production/sales offices</i>
39 % (SEK 9,550 M) 	27 % (SEK 531 M) 	34 % (SEK 5,769 M) 	26 % (SEK 526 M) 	44 % (9,460) 	
21 % (SEK 5,166 M) 	36 % (SEK 703 M) 	40 % (SEK 6,787 M) 	35 % (SEK 710 M) 	26 % (5,640) 	
18 % (SEK 4,549 M) 	16 % (SEK 325 M) 	12 % (SEK 2,078 M) 	16 % (SEK 317 M) 	15 % (3,261) 	
12 % (SEK 3,023 M) 	11 % (SEK 215 M) 	9 % (SEK 1,443 M) 	12 % (SEK 235 M) 	9 % (1,941) 	
10 % (SEK 2,304 M) 	10 % (SEK 197 M) 	5 % (SEK 858 M) 	11 % (SEK 230 M) 	6 % (1,362) 	

 = EU
  = North America
  = Global

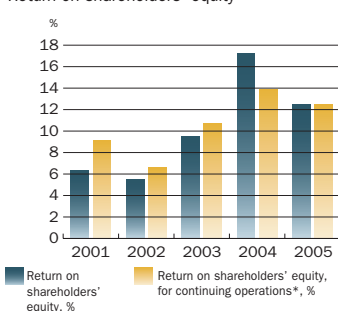
Sales by geographical region



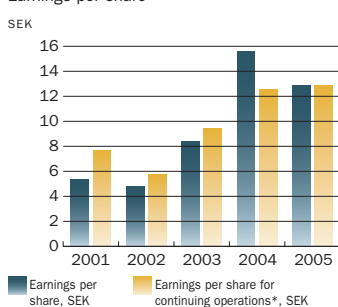
Operating profit



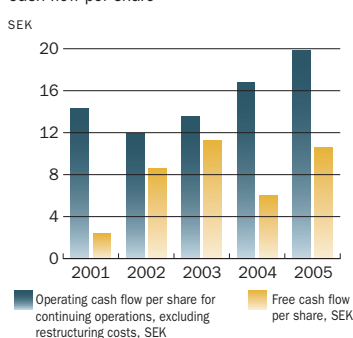
Return on shareholders' equity



Earnings per share



Cash flow per share



Trelleborg Group 2005

- Net sales for the year rose by 5.5 per cent to SEK 24,170 M (22,912). Organic growth amounted to 3 per cent.
- Operating profit was SEK 1,779 M (1,891) and net profit was SEK 1,177 M (1,386).
- Net profit for continuing operations, excluding restructuring costs and impairment losses, rose to SEK 1,177 M (1,122).
- Operating cash flow increased to SEK 1,788 M (1,483).
- Peter Nilsson appointed President and CEO of the Trelleborg Group effective October 1, 2005. Peter Nilsson succeeded Fredrik Arp, President and CEO since 1999.
- Agreement signed regarding the acquisition of the CRP Group with about 500 employees and annual sales of approximately SEK 1,000 M. Some ten additional acquisitions were made, including Chase-Walton Elastomers, in the US.
- Reinforced focus on expansion in Asia, including a decision regarding a new plant in Shanghai, China, the acquisition of the remaining 45 per cent of shares in the Chinese subsidiary in Wuxi, and the extension of production capacity in India and Sri Lanka.
- Proposed dividend: SEK 5.50 (5.00).

Key figures

	2005	2004
Net sales, SEK M	24 170	22 912
Operating profit, SEK M	1 779	1 891
Profit before tax, SEK M	1 567	1 604
Net profit, SEK M	1 177	1 386
Earnings per share, SEK	12,90	15,55
Free cash flow, SEK M	950	536
Free cash flow per share, SEK	10,55	6,05
Net debt, SEK M	-7 236	-6 951
Debt/equity ratio, %	72	81
Return on shareholders' equity, %	12,5	17,2
Average number of employees	21 694	21 675

Operating key figures*)

Operating profit, SEK M	1 779	1 795
Profit before tax, SEK M	1 567	1 508
Net profit, SEK M	1 177	1 122
Earnings per share, SEK	12,90	12,55
Operating margin (ROS), %	7,2	7,7
Return on capital employed (ROA), %	10,8	11,2
Return on shareholders' equity, %	12,5	13,9
Operating cash flow, SEK M	1 788	1 483
Operating cash flow per share, SEK	19,85	16,80
Operating cash flow/operating profit, %	101	83
Net debt/EBITDA, multiple	2,8	2,6
EBITDA/net financial items, multiple	12,4	9,2

*) Based on continuing operations, excluding restructuring costs and impairment losses. Continuing operations denotes current structure, that is, excluding Trenor, which was divested in 2004.

For definitions, see page 91.

*Excluding restructuring costs and impairment losses.
For 2001-2003 excluding goodwill amortization.

Solutions to seal, damp and protect – with the customer in focus at every step

*"In this project, we aren't working for the customer ...
... we are working for the customer's customer."*

I heard this comment while sitting with a group of Trelleborg employees during one of my first trips as the new CEO. The comment was delivered with a well-timed rhetorical pause and a laugh, but it said something fundamental about one of Trelleborg's principal success factors: our expertise must be an important tool for our customers in solving their customers' problems.

This expertise has become an even more crucial factor as Trelleborg enters the next stage of its development following the successful process of recent years in transforming itself from a conglomerate into a focused industrial group.

Operational development to the fore

Over the next few years, operational development will be to the fore. The thrust of our efforts will be on investing to generate growth opportunities and to strengthen our positions. This involves focusing on customer satisfaction through innovative product and application development, more aggressive management of our operations portfolio and more rapid positioning to profitable expanding segments and growth markets, a continued emphasis on organic growth with extensive preparedness for selective acquisitions, cost-efficiency in all areas and, last but not least, more vigorous development of the organization and its people.

During 2005, like all other industrial companies, we struggled with rapidly rising costs for input materials. We were largely able to offset these through a combination of measures to improve efficiency and flexibility in purchasing and production, as well as price increases. Towards the end of the year, we also conducted a couple of acquisitions entirely in line with our objective of achieving

leading positions in profitable, rapidly expanding segments with a high technological content.

Balanced structure

The year also demonstrated that Trelleborg, with its five business areas, now has a balanced structure for continued profitable growth. Trelleborg Automotive had to cope with a continued difficult car market and saw a relatively substantial drop in margins. This was offset more than adequately by the other

business areas, which all improved their earnings. This balance provides a basic strength for Group Management to build on and for shareholders who are entitled to expect a high and stable dividend, one of the hallmarks of the Group.

The Group's strategies and financial targets mainly stand firm. They provide the framework and incentive for our efforts to satisfy the wishes of customers, shareholders and employees. It is now time, over the next few years, to refine the structure and further improve our operational performance to achieve higher and more stable profitability.

Focus on applications

We have prioritized segments with a high level of growth and favorable potential for profitability, where our products and solutions are critical for our customers' success with their customers. We have identified selected niches in seven market segments within which we enjoy unique competitive advantages thanks to our innovative product and application development, and close customer relations and partnerships. Here, we hold or can attain leading positions through organic growth, consolidation of the market or acquisitions. For several years, we have

also focused consciously on the growth markets of Asia, not least China, and of Eastern Europe and South America.

Our task is to find solutions that seal, damp and protect. We focus on functions and applications rather than individual products. We are world-leading specialists in polymers, but are constantly broadening our materials base and creating increasingly sophisticated functions, driven forward by customer benefit and in close collaboration and partnership with customers.

Positioning and efficiency

Refining the structure entails more actively prioritizing the areas in which we should invest our effort. Consequently, we must hasten the pace at which we leave segments we do not view as profitable in the long term to be able to transfer resources to growth areas and aggressively enter new segments where profitability is higher.

In such areas, we are continuously advancing our positions through measures

including the most recent acquisitions of CRP Group in offshore oil and gas and of Chase Walton in precision seals for the aerospace industry.

Efficiency in all processes is a basic prerequisite for success and we must maintain competitive cost levels. Besides the day-to-day fine-tuning of the production apparatus, we are actively exploring new markets. Today, we have 5,600 employees in low-cost countries, compared with 2,700 three years ago. We are also continuously increasing our outsourcing of production and, to a greater extent, purchasing certain products rather than manufacturing them ourselves.

Investing in people

After a period of extensive change such as the Trelleborg Group has undergone, there is a need to further fine-tune and develop the organization. These are issues close to my heart. We shall strengthen our

”Over the next few years, operational development will be to the fore.”

”For several years, we have also focused consciously on the new growth markets.”



goal-oriented, decentralized organization with increased incentives for entrepreneurial spirit. We will invest more in educating, training and motivating people and developing management in a structured manner. This process will be based on our basic values.

Value for our shareholders

It is my decided opinion that the Trelleborg Group should continue to maintain a strong financial position, defined by, for example, our debt/equity-ratio target. On the basis of our favorable cash flow, our intention is to optimize the creation of value for our shareholders over the long term. An important part of this involves our policy of generous dividends, and the potential for generating value is also greater through strategic acquisitions. We have considerable and successful experience of company acquisitions. Further consolidating a fragmented mar-

ket and strengthening our competitiveness through complementary acquisitions in expanding and profitable segments provides a better return for owners through the increased valuation of the Group.

We are also meeting increased demands regarding corporate governance, demands that, to a certain extent, entail an increased administrative load. We shall handle this in the optimum manner to meet shareholders' needs.

Outlook

For the first half of 2006, continued market growth, in line with the second half of 2005, is expected in the Group's seven principal markets. During the first half of 2006, a high level of demand for natural rubber and continued volatility in oil prices affecting the pricing scenario for certain polymer raw materials is expected to result in continued cost pressure.

Finally, I would like to extend my great thanks to all Trelleborg employees. Your efforts during 2005, the year in which Trelleborg celebrated its centenary, have been fantastic. We shall be proud of our successful history. Assuming the role of CEO at this time is particularly stimulating. Now it is the future that counts. We are the ones responsible for making it equally successful – for customers, shareholders and ourselves.

Trelleborg, February, 2006

Peter Nilsson, President and CEO

Solutions Securing Values™

CODE OF CONDUCT CORPORATE GOVERNANCE



VALUES

- Customer focus
- Performance
- Innovation
- Responsibility



STRATEGIC TARGETS

Leading positions in long-term attractive segments – to be achieved through:

- Operational excellence
- Organic growth
- Value-generating acquisitions
- Target-oriented leadership



FINANCIAL TARGETS

- Annual 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 80-90% of operating profit

Our efforts to achieve our mission and to meet expectations from our customers, shareholders and employees rest on three foundation stones: our values, our strategic targets and our financial targets.

To seal, damp and protect

The Trelleborg Group offers technological solutions that meet three primary customer needs: to *seal*, *damp* and *protect* to secure investments, processes and people in demanding industrial environments. 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 customers are primarily found within the aerospace, agricultural, automotive, infrastructure/construction, transportation equipment and oil/gas industries, as well as other sectors.

A considerable portion of Trelleborg's operations lie within the framework of what is termed the industrial rubber sector. It is estimated that globally this market generates sales of approximately SEK 500 billion annually. The North American and European shares combined comprise nearly 60 per cent. The industrial rubber market comprises product areas such as antivibration, hoses and seals. The market is fragmented, although a gradual process of consolidation is under way. The share covered by the ten largest companies has risen from approximately 10 per cent to approximately 25 per cent over the past five years. Trelleborg is playing an active role in this process.

Global industrial rubber suppliers

No.	Company	Country
1	Continental	Germany
2	Hutchinson	France
3	Trelleborg*	Sweden
4	Freudenberg	Germany
5	Bridgestone	Japan
6	Tomkins	UK
7	Cooper-Standard	US
8	Parker-Hannifin	US
9	Tokai	Japan
10	NOK	Japan

Source: Rubber & Plastic News, July 2005/Trelleborg
* Including CRP Group

BUSINESS CONCEPT

Trelleborg seals, damps and protects in demanding industrial environments throughout the world. We offer our customers engineered solutions based on leading polymer technology and unique applications know-how.

SEAL

DAMP

PROTECT



AEROSPACE



AGRICULTURE



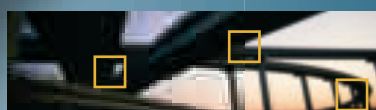
**TRANSPORTATION
EQUIPMENT**



AUTOMOTIVE



OIL/GAS



**INFRASTRUCTURE/
CONSTRUCTION**



**OTHER INDUSTRY
SECTORS**

Customer-focused organization

The Group's solutions are used in many different applications and products and are consequently aimed at a large number of customer groups in many different industrial segments. Each business area focuses on selected customer segments and can thereby contribute leading-edge expertise and applications know-how through in-depth knowledge of the customer's situation and needs.

The decentralized and entrepreneurial organization provides a strong operational focus and proximity to our customers. Clear, value-based and target-driven management promotes development and innovation.

Synergies generate competitiveness

Core industrial expertise and polymer technology pervade all of the business areas, as does the high technology content of the products, providing added value for customers.

Focused product development, cost-effective production and synergies in purchasing and material flows are decisive for favorable operational results and commercially successful products and solutions. To strengthen the Group's competitiveness, coordination between business areas is sought in all of these areas.

Our values

Trelleborg's basic values are customer focus, performance, innovation and responsibility. In their daily efforts, Group employees are guided by the culture and values developed over the years. With common values, a continuity is established, necessary in building and maintaining operations that are successful and that can be maintained over the long term.



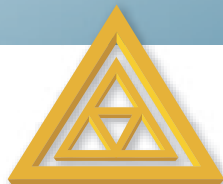
TRELLEBORG

On a daily basis, the four Trelleborg triangles remind us of our four basic values.

Strategic targets

Leading positions in sustainably attractive segments. This shall be achieved through:

- Operational excellence
- Organic growth
- Value-generating acquisitions
- Target-oriented leadership



Leading positions in sustainably attractive segments and markets

The Trelleborg Group strives to achieve market-leading positions within selected, well-defined segments and market areas (globally or regionally). 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 market positions and product portfolio is an ongoing process that guides resource prioritization.

• Operational excellence

Providing our customers with products and solutions of the highest quality, while offering competitive pricing, requires that we continuously develop our cost efficiency. The Group conducts continuous reviews of such areas as purchasing, processes and production localization.

• Organic growth

Trelleborg focuses on creating stable and continuous organic growth. The aim is for the Group to achieve a higher growth rate than its underlying markets. Growth opportunities are generally created in several dimensions, for example through:

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

• Value-generating acquisitions

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. 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. The acquisitions shall, among other things:

- Contribute advanced engineering or technologies that create added value.
- Support the build-up of critical mass in attractive markets necessary to achieve leading positions.
- Offer solid potential for organic growth or provide opportunities for consolidation.

• Target-oriented leadership

The success of a decentralized, multicultural and entrepreneurially driven organization, such as Trelleborg, is based on clearly defined targets. These are continuously followed up through value-based and target-oriented leadership. Accordingly, we develop our leaders in a structured manner in order to continuously build up a culture of performance, focusing on the responsibility of the individual and continued improvement. This is also reflected in our performance-guided remuneration system.

An explosive "jet fire" can devastate an oil platform in just a few seconds. It causes an explosive inferno so hot that even metals melt. To meet these extreme conditions, Trelleborg has developed a number of flexible products for fire and explosion protection.

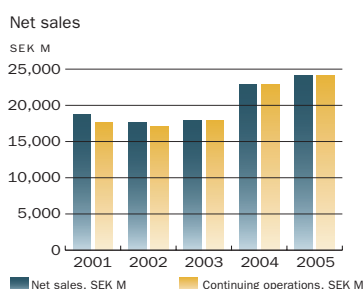


Financial targets

Growth targets

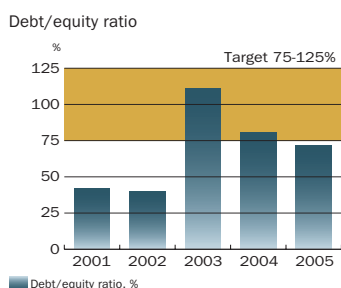
The overall goal is to create value for shareholders and other stakeholders through profitable growth. The target for average growth in sales is 8–10 per cent annually over an economic cycle. Growth shall be achieved through a combination of organic growth and ongoing acquisitions of new and complementary 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 8 per cent annually. During the same period, organic growth has increased by 2 per cent.



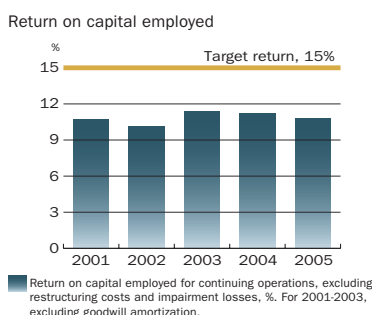
Debt/equity ratio

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 per cent. At the close of 2005, it was 72 per cent, just below the target range. The debt/equity ratio was sharply reduced during the year owing to a strong underlying cash flow from business operations. Exercise of options has also resulted in a certain increase in equity.



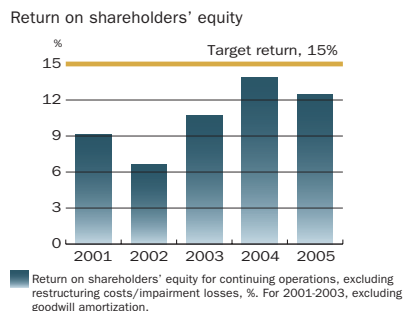
Return on capital employed

The target for return on capital employed is 15 per cent over the long term. During 2005, return on capital employed amounted to 10.8 per cent (11.2). Factors expected to contribute to the achievement of the 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. Active work with our product portfolio is also expected to contribute to improved margins. In recent years, we have 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 per cent during the first few years following acquisition.



Return on shareholders' equity

The target return on shareholders' equity is 15 per cent. During 2005, a return of 12.5 per cent (13.9) 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 equity.



Financial targets

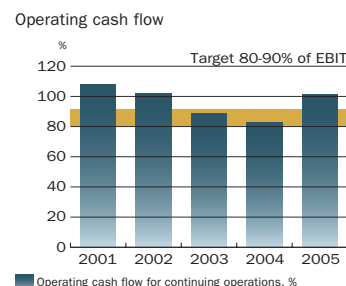
- Annual growth over an economic cycle 8–10%
- Return on capital employed 15%
- Return on total equity 15%
- Debt/equity ratio 75–125%
- Operating cash flow 80–90% of operating profit



Operating cash flow

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

The target for operating cash flow is set at 80–90 per cent of underlying operating profit (EBIT). The target level was exceeded in 2005 and amounted to 101 per cent.



Margin targets

A more short-term margin target was announced in autumn 2005. Earnings before interest, taxes and depreciation/amortization comprise the base of the operating cash flow. The EBITDA margin is calculated as EBITDA divided by net sales. The target is that this margin will reach a level of 12 per cent or better within two years. A margin of 10.7 was achieved in 2005.



The Trelleborg share in 2005

Trelleborg's Series B shares have been traded on the Stockholm Stock Exchange since 1964. As of January 1, 2004, the share has been among the most actively traded in the Exchange's A 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 increased by 40 per cent (neg: 3) during the year. The All-share Index of the OMX Stockholm Stock Exchange increased by 33 per cent (17.6) during the year. The highest price paid in 2005 was SEK 159.50, on December 29 and 30. The lowest price paid was SEK 103.50 on April 29. During 2005, 147.8 million (121.2) Trelleborg shares were traded on the Stockholm Stock Exchange, equivalent to 164 per cent (137) of the average number of shares outstanding, at a value of SEK 18,196 M (14,555). In terms of value, Trelleborg's shares were the 32nd (32nd) most-traded on the Stockholm Stock Exchange. The average daily turnover amounted to 584,000 (479,000) shares or SEK 71.9 M (57.5).

Of the total number of shares, excluding those held by Trelleborg AB, foreign shareholders corresponded to approximately 21 per cent (17.5), at December 31, 2005.

Institutions accounted for the majority of ownership. Of the total shares, excluding treasury shares, 81 per cent (77) were, at year-end owned by legal entities and 19 per cent (23) by private individuals, representing 90 per cent (88) and 10 per cent (12), respectively, of the total number of votes.

This information is based on the official share register and list of trustees at December 30, 2005.

During the past five years, Trelleborg shares have increased in price an average of 18.5 per cent per year and generated a dividend yield of 4.5 per cent per year.

Repurchase program

At year-end 2005, there was a total of 95,980,361 outstanding shares. Excluding Trelleborg AB's treasury shares (5,623,100), the number of shares outstanding totaled 90,357,261. A total of 640,000 treasury shares were utilized in conjunction with the maturity of call options from 2002.

A mandate was granted at the 2005 Annual General Meeting to repurchase up to 10 per cent of the total number of shares during the period until the 2006 Annual General Meeting, that is, an additional approximately 4 million shares. No repurchases of shares took place during 2005.

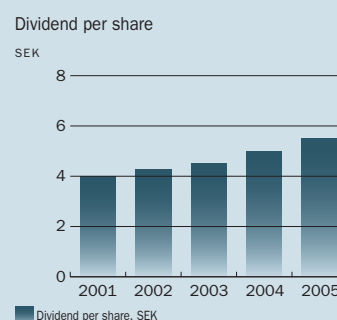
MSCI reclassification

As a result of the recent years' successful focus on streamlining the company to an

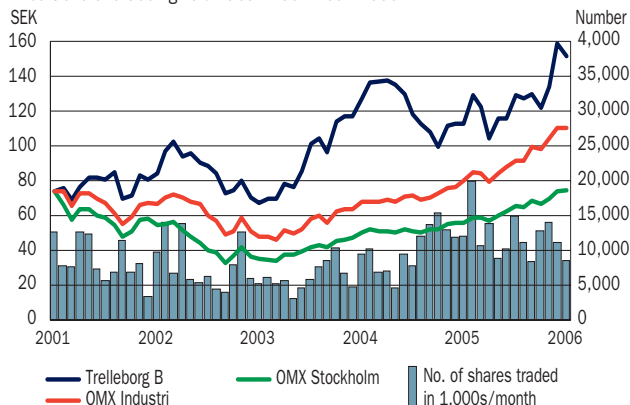
industrial Group with the business concept to damp, seal and protect in demanding industrial environments, Trelleborg was reclassified by Morgan Stanley Capital International (MSCI) to sub-industry 20106020 Industrial Machinery. Trelleborg was previously classified as 25101020 Tires and Rubber. This classification took place in accordance with the Global Industry Classification Standard (GICS), the industry standard followed by all of the Nordic stock exchanges.

Proposed dividend

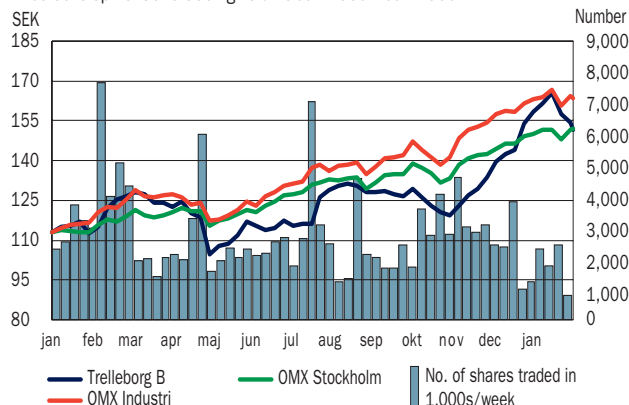
The Group's dividend policy is that, over the long term, the dividend should amount to between 30 and 50 per cent of net profit for the year. The Board of Directors and President propose that a cash dividend of SEK 5.50 (5.00) per share be paid. The proposed dividend, equivalent to approximately SEK 497 M, means that approximately 43 per cent of net profit for the 2005 fiscal year will be distributed.



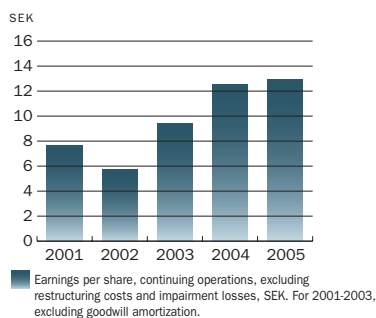
Price trend and trading volume Jan 2001 – Jan 2006



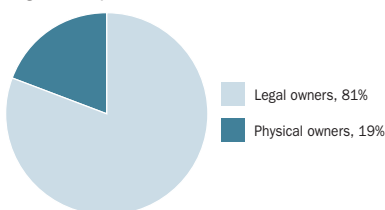
Price development and trading volume Jan 2005 – Jan 2006



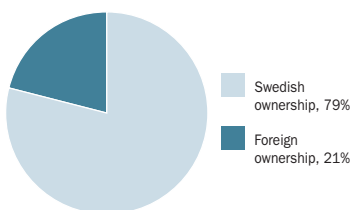
Earnings per share



Legal and physical owners



Swedish and foreign ownership



Analysts who monitor Trelleborg:

CAI Cheuvreux

Patrik Sjöblom, +46 (0) 8-723 51 15

Carnegie Fondkommission

Oscar Stiergren, +46 (0) 8-676 87 69

Danske Bank

Patrik V. Setterberg, +45 (0) 33-44 08 74

Deutsche Bank

Christofer Sjögren, +46 (0) 8-463 55 19

Enskilda Securities

Anders Trapp, +46 (0) 8-522 297 57

EVLI Bank Abp

Magnus Axén, +46 (0) 8-407 80 24

Handelsbanken Capital Markets

Carl Holmquist, +46 (0) 8-701 35 76

Kaupthing Bank

Joakim Höglund, +46 (0) 8-791 48 00

Redeye

Henrik Alveskog, +46 (0) 8-545 013 30

S&P Equity Research

Lars Glemstedt, +46 (0) 8-440 59 00

Swedbank Markets

Mats Liss, +46 (0) 8-585 912 02

Ownership structure as of December 30, 2005

Shareholder	Number of shares	Per cent of share capital	Per cent of voting rights
Dunker Funds and Foundations	12,159,774	13.46%	55.53%
Alecta Pension Insurance	6,203,000	6.86%	3.53%
AFA/TFA Insurance Companies	4,393,240	4.86%	2.50%
FöreningsSparbanken and Robur	3,775,964	4.18%	2.15%
Handelsbanken/SPP and Funds	3,456,178	3.83%	1.97%
Didner & Gerge Equity Fund	3,324,000	3.68%	1.89%
S-E-Banken and funds	2,557,187	2.83%	1.45%
Skandia Insurance and bank and funds	2,262,030	2.50%	1.29%
State Street Bank	1,693,171	1.87%	0.96%
Dresdner Bank	1,519,170	1.68%	0.86%
Other shareholders	49,013,547	54.25%	27.87%
Total shares	90,357,261	100.00%	
Total votes	175,857,261		100.00%
Trelleborg AB, own shares	5,623,100	5.86%	3.10%
Total	95,980,361		

Distribution of shares as of December 30, 2005

At year-end 2005, the number of shareholders totaled 49,225 (53,942), of whom 27,575 (29,130) were directly registered and 21,650 (24,812) nominee-registered.

Number of shares	Number of shareholders	% of total no. of shares	Change, % from Dec 31, 2004
1-1,000	45,084	11.23	-1.74
1,001-5,000	3,321	7.62	-2.64
5,001-50,000	664	9.55	-2.45
50,001-	156	71.60	6.83
Total	49,225	100.00	

Number of shares, voting rights and share class

Share class	No. of shares	Per cent	No. of votes	Per cent
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)	2005	2004	2003	2002	2001
Continuing operations					
Earnings	12.90	8.10	7.00	4.05	4.70
Earnings, after dilution	12.90	8.10	6.80	3.85	4.50
Earnings, excluding restructuring costs and impairment losses	12.90	12.55	7.00	4.05	6.10
Earnings, excluding goodwill amortization and restructuring costs and impairment losses	12.90	12.55	9.40	5.75	7.65
Total					
Earnings	12.90	15.55	8.40	4.75	5.35
Earnings after dilution	12.90	15.55	8.15	4.65	5.20
Earnings, excluding goodwill amortization	12.90	15.55	10.80	6.50	6.90
Shareholders' equity per share	111.15	94.45	88.40	87.05	88.70
Shareholders' equity per share after dilution	111.15	94.45	87.60	86.15	87.85
Dividend	5.50	5.00	4.50	4.25	4.00
Yield, %	3.5	4.4	3.8	6.0	5.0
Market price, B share, December 30, last paid price	158.50	113.00	117.00	70.50	80.50
P/E ratio	12	7	14	15	15
No. of shares (excluding Trelleborg's own holdings)					
At Dec 30	90,357,261	89,717,261	84,291,318	83,686,772	86,646,572
Average	90,160,338	88,315,113	83,701,750	86,150,341	96,512,234
After dilution, Dec 30	90,357,261	89,728,866	87,866,058	88,029,107	92,918,166
After dilution, average	90,160,338	88,326,738	87,276,490	90,492,676	100,731,462

1) According to Board of Directors' proposal

Group operations in 2005

The year 2005 presented excellent market conditions in most of Trelleborg's market segments. However, conditions in the light-vehicles industry remained challenging.

In total, Trelleborg noted a stable earnings trend despite increased costs for raw materials. The Group intensified its focus on expansion in growth markets.

Peter Nilsson took office as the new President and CEO on October 1, succeeding Fredrik Arp, who left the Group after seven years to become the President of the Volvo Car Corporation.

Market trend and sales

Market conditions in 2005 were positive in the majority of Trelleborg's prioritized market segments. Sales increased for all business areas. The Group's presence was strengthened in several growth markets and we experienced favourable levels of growth (+11 per cent) outside the EU.

Focused market drives were conducted and infrastructure was expanded. Several initiatives were in relation to production capacity, in such countries as China, India and Sri Lanka.

During 2005, the Group's net sales rose by 5.5 per cent to SEK 24,170 M. In comparable currencies/units, the increase was 3 per cent.

Volumes in the US and Brazil increased for *Trelleborg Automotive*, which compensated for lower sales levels in certain segments in Europe. Measures to further drive expansion in Asia were undertaken. Build-outs were completed in China, in progress in India and planned for the operations in Korea. In comparable currencies/units, the increase in sales was 1 per cent.

Trelleborg Sealing Solutions increased sales in industrial segments, while sales in the automotive industry declined. This business area is also expanding in Asia and production capacity is being established in China and expanded in India.

In comparable currencies/units, the increase in sales was 1 per cent.

Trelleborg Engineered Systems experienced high levels of demand in the majority of its product segments, particularly in its project-related operations. The oil and gas and chemical/petrochemicals industries are examples of market segments that expanded well. In comparable currencies/units, the increase in sales was 8 per cent.

Trelleborg Wheel Systems continued to improve its market position in agricultural tires and the market for industrial tires continued to grow. Growth continued in markets outside Europe and North America. In comparable currencies/units, the increase in sales was 9 per cent.

Trelleborg Building Systems reported positive development, primarily within Waterproofing, with favourable growth in the Danish roofing operations, and in Pipe Seals, as a result of successful marketing activities. In comparable currencies/units, the increase in sales was 3 per cent.

Group results

Net profit amounted to a total of SEK 1,177 M (1,386), corresponding to earnings per share of SEK 12.90 (15.55).

Profits for continuing operations, excluding restructuring costs and impairment losses, amounted to SEK 1,177 M (1,122), corresponding to earnings per share of SEK 12.90 (12.55).

According to this definition, operating profit totaled SEK 1,779 M (1,795), corresponding to an operating margin of 7.2 per cent (7.7).

Operating profits improved for four of the five business areas, despite the substantial increase in costs of raw materials that impacted results during the year.

The operating margin improved compared with the preceding year for Trelleborg Wheel Systems, declined for Trelleborg Automotive and remained unchanged for the three other business areas. However, central Group costs increased compared with the previous year. The increase in costs during the year was partly of a more temporary nature.

Net financial income was strengthened due to lower net debt and continued low interest rates.

Tax rates continue to be at low levels since it is now expected that an increasing

Group	2005	2004
Net sales, SEK M	24,170	22,912
Net profit, SEK M	1,177	1,386
Free cash flow, SEK M	950	536
Earnings per share, SEK	12.90	15.55
Free cash flow per share, SEK	10.55	6.05

Continuing operations, excluding restructuring costs and impairments

Operating profit, SEK M	1,779	1,795
Operating margin (ROS), %	7.2	7.7
Net profit, SEK M	1,177	1,122
Earnings per share, SEK	12.90	12.55
Operating cash flow, SEK M	1,788	1,483

portion of losses carried forward can be utilized on the basis of effective integration of acquired units.

The Group's debt/equity ratio was reduced from 81 per cent to 72 per cent during the year. Interest-bearing net liabilities increased to SEK 7,236 M (6,951) as a result of currency effects of SEK 507 M.

Both operating cash flow of SEK 1,788 M (1,483) and free cash flow of SEK 950 M (536) improved substantially compared with the preceding year. A lower investment rate combined with successful efficiency-enhancing measures in working capital handling contributed to this improvement. Measured as an average of all of the months of the year, the improvement in the number of days in which capital was tied-up in operations was primarily seen in the area of accounts receivable.

Outlook

For the first half of 2006, continued market growth, in line with the second half of 2005, is expected in the Group's seven principal markets. During the first half of 2006, a high level of demand for natural rubber and continued volatility in oil prices affecting the pricing scenario for certain polymer raw materials is expected to result in continued cost pressure.

Acquisitions in 2005

FEBRUARY:

Trellex Fenders (marine fender systems)

Trelleborg Engineered Systems acquired machine equipment and other assets related to the marine fender systems market segment. The selling party was Metso Minerals's business line Wear Protection & Conveying. Via this acquisition, Trelleborg Engineered Systems strengthened its position as a leading supplier of fender solutions to harbor facilities all over the world.

MARCH:

Rollon Hydraulics Pvt (distributor of specialist seals)

Trelleborg Sealing Solutions acquired the sealing operations in the Indian distribution company, Rollon Hydraulics Pvt, one of India's leading seal distributors with a sales network throughout the country. The head offices, technical support and a distribution center are located in Bangalore in southern India. The company has approximately 30 employees and sales of approximately SEK 25 M.

VIP Heinke Ltd (tunnel seals)

Trelleborg Engineered Systems acquired the operations related to the tunnel seals product area. The selling party was the British company, VIP Heinke Ltd. Trelleborg Engineered Systems thereby strengthens its position as a leading, global supplier of tunnel seals and offers a full range of tunnel seals for both bored and immersed tunnels. Operations are expected to be provided with SEK 25 – 30 M in increased annual sales once this company has been fully integrated.

APRIL:

Joint venture with Al Dobowi Ltd (tire distribution)

Trelleborg Wheel Systems entered into a joint venture with Al Dobowi Ltd for the distribution of industrial tires and agricultural tires in the Middle East and in certain parts of Africa. The new company, Trelleborg Wheel Systems Middle East Ltd, is located in Dubai in the United Arab Emirates. The company is expected to initially generate sales of approximately SEK 15 M.

Armwest Pty Ltd (polymer applications in minerals handling)

Trelleborg Engineered Systems acquired the operations in Armwest Pty Ltd in Perth, one of Australia's leading manufacturers of rubber sheeting for specialist applications and materials handling. Armwest has sales of approximately SEK 20 M.

JUNE:

Minority item in Ou Saare Martex (moulded components)

Trelleborg Engineered Systems acquired a minority item of 25 per cent of the share capital of Ou Saare Martex, with an option to acquire further portions of the company. Ou Saare Martex, located on the Estonian island of Saaremaa, has some thirty employees and has previously conducted moulding operations for Trelleborg.

Joint venture with Etablissements Bloch SA in Lyon (hose coupling systems)

Trelleborg Engineered Systems formed a joint venture with Etablissements Bloch SA in Lyon for trade in hose coupling systems for the chemicals and petrochemicals industry. Etablissements Bloch distributes flow systems primarily to the petrochemicals industry in southeastern France.

SEPTEMBER:

Cimap Rouse Industrielles SAS (industrial tires)

Trelleborg Wheel Systems acquired the French company Cimap Rouse Industrielles SAS, which is member of the family-owned CIMAP Group. Cimap Rouge Industrielles, which holds a leading position within the industrial tire industry in France, has been a distributor of Trelleborg's industrial tires since 1999. The company has sales of approximately SEK 40 M and has approximately 10 employees at its head offices in Paris and at a central warehouse in Bordeaux.

OCTOBER:

Chase-Walton Elastomers Inc. (precision seals)

Trelleborg Sealing Solutions acquired operations in Chase Walton Elastomers Inc., which generates annual sales of approximately SEK 100 M and has approximately 110 employees at two manufacturing centers in Hudson, Massachusetts in the US. Chase-Walton Elastomers designs, develops and manufactures polymer components in silicon, primarily for the aerospace industry and in medical technology and bioengineering.

Remaining 45 per cent in Trelleborg Wuxi (antivibration systems)

Trelleborg Automotive acquired the remaining 45 per cent of the shares in the Chinese subsidiary, Wuxi Trelleborg Vibration Isolator Co Ltd., in Wuxi, outside Shanghai. The Trelleborg Group has been the majority owner of this company, 45 per cent of which is owned by the Wuxi Guolian Group, since 2000. Trelleborg Wuxi, which will be the company's new name, has approximately 300 employees. The operations are primarily concentrated on antivibration systems.

VA-Forum (pipe seals)

Trelleborg Building Systems acquired the operations in the small Swedish company, VA Forum, which has sales of approximately SEK 5 M and conducts aftermarket operations for pipe seals in Sweden.

NOVEMBER:

Andre Structural Bearings (bridge bearings for infrastructure projects)

Trelleborg Engineered Systems acquired the operations in Andre Structural Bearings in the UK, which has sales of approximately SEK 10 M. The selling party was Silentbloc UK Ltd. Andre Structural Bearings supplements Trelleborg's operations within bridge bearings for infrastructure projects, including bearings for protection against seismic waves.

Dunlop GRG Holdings Ltd (project-related solutions)

Trelleborg Engineered Systems acquired the operations in Dunlop GRG Holdings Ltd. in Manchester, in the UK; an engineering company whose operations are focused on project-related products for protecting and transporting in harsh environments. The company has approximately 50 employees and annual sales of approximately SEK 70 M.

DECEMBER:

Joint venture with RPM Engineering Corporation (special hoses)

Trelleborg Engineered Systems created a joint venture with RPM Engineering Corporation regarding the production of composite hoses in China. The new company, Trelleborg Composite Hose Shangyu Company Ltd, is owned equally by both companies. The production facility is situated in Shangyu City in Zhejiang province in Central China. The company is initially expected to generate sales of SEK 20 M.

CRP Group (project-related operations in oil and gas)

Trelleborg Engineered Systems entered into an agreement to acquire the CRP Group, an engineering company with sales of approximately SEK 1,000 M and 500 employees, primarily in the UK and in the US. As a result, Trelleborg will become a global market leader in polymer systems and solutions for oil and gas extraction in offshore environments. The operations are primarily related to systems for oil and gas projects in underwater environments. The company has operations in systems for seismic surveys on the seabed and within drilling and production, with solutions for flow handling in deep seas and buoy systems, as well as many other specialist engineering solutions in polymer materials. The acquisition was finalized in January 2006.

Elastomer Compounding s.r.o (mixing unit)

Trelleborg Building Systems signed an agreement for the acquisition of the remaining 70 per cent of the Czech company ECS; Elastomer Compounding s.r.o from the German company, Rado. Trelleborg has owned 30 per cent of ECS since 1998. ECS's mixing unit is located in Lesina in the Czech Republic. The company produces rubber mixtures primarily for profile manufacturers specializing in the construction and industrial sectors. Annual sales are approximately SEK 75 M and the unit has 40 employees. The acquisition took place in January 2006.

Group operations in 2005

Parent Company

The Parent Company's operations primarily comprise Group functions. Trelleborg AB's earnings before tax amounted to a loss of SEK 873 M (profit 3,275). No sales were made. Investments amounted to SEK 13 M (2).

Work of the Board of Directors

The Trelleborg AB Board of Directors consists of seven members who are elected by the Annual General Meeting. 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 2005 the Board held ten (nine) regular meetings, of which three were extraordinary meetings.

Each year, the Board of Directors establishes a formal work plan clarifying the Board's responsibilities and regulating the internal division of duties between the Board and its committees, including the role of the Chairman, the Board's decision-making procedures, its meeting schedule, procedures governing the convening, agenda and minutes of meetings, as well as Board work on accounting, auditing matters and financial reporting. The work plan also governs how the Board shall receive information and documentation as the basis for its work and to be able to make well-founded decisions.

During the year, the Board also determined instructions for the newly-established Audit Committee.

A Remunerations Committee headed by the Chairman represents the Board on matters regarding salary and employment conditions for the President and for positions that report directly to him. During the period until the 2006 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 80-89.

Nominations Committee

The nomination of Board members shall be conducted in accordance with the procedures adopted by the 2005 Annual General Meeting.

A Nominations Committee has prepared proposals for the 2006 Annual General Meeting pertaining to Board composition and fees for Board members. The members of the Nominations Committee are Didrik Normark of the Dunkers Funds and Foundations, Mats Lagerqvist of Robur, Ramsay Brufer of Alecia, Torsten Johansson of Handelsbanken Fonder and Lars Öhrstedt of AFA/TFA. The Chairman of the Board is also a member of the Nominations Committee. Didrik Normark was appointed Chairman of the Nominations Committee.

No remunerations were paid to the members of the Nominations Committee.

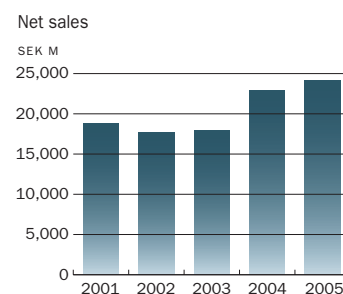
The group held three meetings. As a basis for the committee's work, the President presented information on the company's operations and strategic direction. The Chairman of the Board provided information on the Board's work during the year, including updating the formal rules of procedure and the work of the Board's Remunerations Committee. Rolf Kjellman, Chairman of the Audit Committee, reported on the work and future direction of this committee. In addition, the annual evaluations of Board members were discussed.

The Nominations Committee decided to propose the re-election of all Board members to the 2006 Annual General Meeting. Peter Nilsson, President and CEO of Trelleborg since October 1, 2005, is proposed as a new member of the Board. Peter Nilsson succeeds Fredrik Arp who, on September 30, 2005 left Trelleborg and his place on the Trelleborg Board to become President of the Volvo Car Corporation.

Events after the end of the accounting period

The acquisitions of the CRP Group and the Czech company Elastomer Compounding s.r.o were completed after the end of the period (see page 11). The American company EPG, with approximately 140 employees and annual sales of approximately SEK 170 M, was also

acquired after the end of the period via the Building Systems business area. This company is privately owned and has two manufacturing centers in Aurora, near Cleveland in Ohio. EPG manufactures polymer seal products with extruding profiles and pipe seals, primarily to the construction industry.



Continuing operations

Net sales and operating profit/loss

SEK M	Net sales		EBITDA excl. restructuring costs		EBITDA, % excl. restructuring costs		Operating profit/loss excl. restructuring costs and impairment losses		Operating profit/loss incl. restructuring costs and impairment losses	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Trelleborg Automotive	9,550	9,182	913	961	9.3	10.1	531	587	531	330
Trelleborg Sealing Solutions	5,166	5,009	875	837	16.9	16.7	703	676	703	676
Trelleborg Engineered Systems	4,549	4,133	448	422	9.9	10.2	325	293	325	175
Trelleborg Wheel Systems	3,023	2,722	310	262	10.2	9.7	215	157	215	-28
Trelleborg Building Systems	2,304	2,257	258	253	11.0	11.1	197	190	197	190
Other companies			-9	-2			-17	-10	-17	-10
Group items			-170	-96			-175	-98	-175	-98
Elimination	-422	-391		-				-		-
Continuing operations	24,170	22,912	2,625	2,637	10.7	11.4	1,779	1 795	1 779	1 235

SEK M	2005			2004		
	Impairment losses	Restructuring costs	Total	Impairment losses	Restructuring costs	Total
Trelleborg Automotive	-	-	-	-137	-120	-257
Trelleborg Engineered Systems	-	-	-	-75	-43	-118
Trelleborg Wheel Systems	-	-	-	-101	-84	-185
Total	-	-	-	-313	-247	-560

Operating ratios

	Operating margin (ROS), %, excl. restructuring costs and impairment losses		Operating margin (ROS), %, incl. restructuring costs and impairment losses		Capital employed, SEK M		Return on capital employed (ROA), %, excl. restructuring costs and impairment losses		Return on capital employed (ROA), %, incl. restructuring costs and impairment losses	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Trelleborg Automotive	5.3	6.0	5.3	3.2	5,769	5,132	9.6	11.1	9.7	6.2
Trelleborg Sealing Solutions	13.5	13.5	13.5	13.5	6,787	6,119	10.6	10.9	10.6	10.9
Trelleborg Engineered Systems	7.1	7.1	7.1	4.2	2,078	1,758	16.9	15.6	17.1	9.3
Trelleborg Wheel Systems	7.1	5.8	7.1	-1.0	1,443	1,317	15.3	10.4	16.0	-1.8
Trelleborg Building Systems	8.3	8.3	8.3	8.3	858	859	21.9	21.0	21.9	21.0
Other companies					105	144				
Group items					-37	-33				
Provisions for restructuring measures					-81	-184				
Continuing operations	7.2	7.7	7.2	5.2	16,922	15,112	10.8	11.2	10.9	7.7

Operating profit/loss, continuing operations excluding restructuring costs and impairment losses per quarter

SEK M	Jan - Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2005	2004	2005	2004	2005	2004	2005	2004
Trelleborg Automotive	114	170	186	175	96	91	135	151
Trelleborg Sealing Solutions	167	189	206	194	170	150	160	143
Trelleborg Engineered Systems	75	68	90	82	70	58	90	85
Trelleborg Wheel Systems	58	43	63	42	55	39	39	33
Trelleborg Building Systems	18	24	62	61	73	71	44	34
Other companies	-4	-3	-6	-3	-4	-2	-3	-2
Group items	-30	-18	-54	-34	-35	-18	-56	-28
Continuing operations	398	473	547	517	425	389	409	416

For definitions, see page 91.

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 car, light and heavy truck, 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), primarily in the European and North American automotive markets and with an increasing focus on Asia and South America. The Japanese market is covered through cooperation with the leading Japanese manufacturer in the region, Tokai Rubber. The business area's global presence represents a significant competitive advantage. Key customers include DaimlerChrysler, Ford, General Motors, Renault Nissan, the Volkswagen Group, and also Tier 1 manufacturers such as GKN.

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, is moderate and, in traditional markets, has been somewhat lower than the trend in GDP in recent years. In the emerging markets growth is stronger with China playing a key role.

A factor favoring Trelleborg is an increasing demand for products that reduce noise and vibration and enhance vehicle handling and comfort, aspects vehicle manufacturers continue to prioritize in differentiating their car models.

The trend within the global automotive industry is towards fewer and larger suppliers. A process of consolidation

and structural development is underway. This is a consequence of the fact that several competitors, particularly in Europe, belong 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 within its prioritized segments with the purpose of reinforcing its leading position.

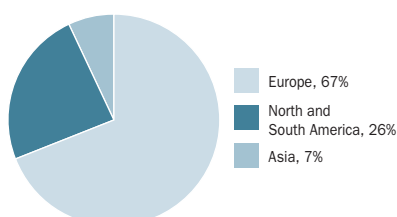
Today, almost 65 per cent of Trelleborg Automotive's production is sold directly to car manufacturers. This share is expected to decrease further with time, since original equipment manufacturers (OEMs) are increasingly outsourcing entire systems to Tier 1 suppliers. These include companies such as Thyssen Krupp, Delphi, GKN and Valeo. Trelleborg is working actively to strengthen its position among the principal suppliers.

The automotive industry is currently subject to pricing pressure. Increased competition, rising raw material and energy prices have lead to a growing focus on cost reduction. Trelleborg is meeting this with an increased focus on cost-efficient production.

Strategic priorities

- Continued efforts to increase presence in emerging markets.
- Global cost-management program.
- Increasing proportion of purchasing and production in countries offering competitive pricing.
- Create growth opportunities through focused product development in partnership with customers.
- Continued initiatives to increase growth rate in Trelleborg's principal markets in Europe and North America.
- Continued market leadership in selected segments.

Net sales per geographic market



Business area President
George Caplea

Two business segments:

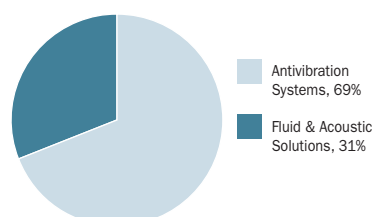
Antivibration Systems: Noise and vibration-damping solutions for all vehicle segments and industrial markets, pneumatic suspension systems and thermoplastic boots for driveshaft manufacturers. The market for antivibration components and bushings is valued at approximately SEK 48 billion annually.

Position and competitors: Trelleborg Automotive is the world-leading supplier of vibration-damping systems for vehicles, and of thermoplastic boots. In industrial antivibration applications, Trelleborg is the market leader in Europe and number two in the US. Trelleborg's principal competitors are companies such as Cooper Standard, Vibracoustic, ZF Lemforder and Paulstra/Bridgestone. Competitors in the market segment for thermoplastic boots are primarily Freudenberg-NOK, ABC and Wynns.

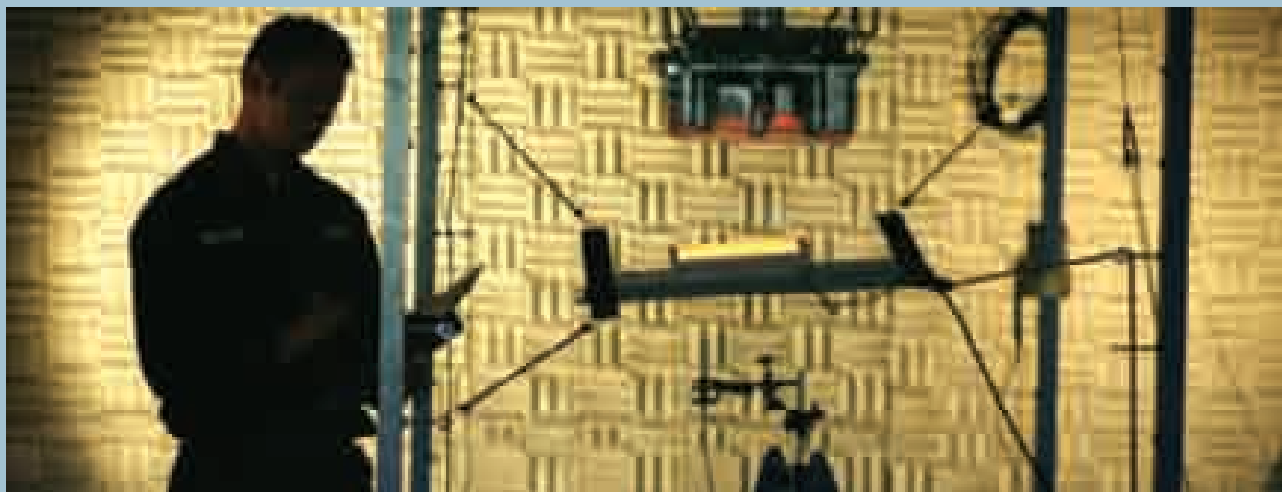
Fluid & Acoustic Solutions: Engine-cooling, air-supply and acoustic-management systems for cars and trucks. The business unit, which offers highly specialized materials expertise, also supplies brake shims, vibration damping materials and gas struts.

Position and competitors: Fluid & Acoustic Solutions has a diverse materials and manufacturing expertise, leading technical development in the field and specializing in quiet steels, rubber, silicon and plastics. Main competitors include Hutchinson, Contitech, Avon, Phoenix and Mark IV. Trelleborg Rubore is the global market leader for the supply of brake shims and is rapidly gaining share with its latest innovation, Applied Damping Material, a laminated steel that provides optimum damping for engine components. Wolverine and MSC are the main competitors in this area.

Net sales per business segment

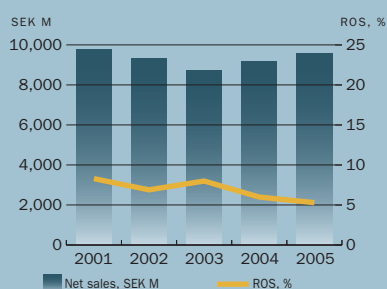


Locating the noise hot spot. Sensitive microphones and ultrasonics are used to locate problem noise spots at the R&D center at Kalmar, Sweden.



SUMMARY OF 2005

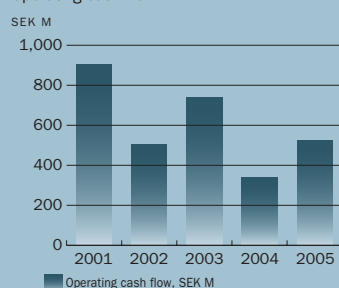
Net sales and ROS



Operating profit and ROA



Operating cash flow



Sales and earnings

- Sales rose to SEK 9,550 m. In comparable currencies/units, sales rose by 1 per cent for the 2005 full year compared with 2004. The business area experienced favorable growth in AVS in the US and Brazil, offsetting lower sales in certain European segments.
- Operating profit decreased to SEK 531 m. Earnings were affected negatively by increased costs for raw materials, as well as by lower volumes and efficiency in Fluid and Acoustic Solutions.
- Cash flow improved to SEK 526 m as a consequence of lower investment levels and more efficient capital management.

Significant events

- Inauguration of a new plant in Wuxi, China and the acquisition of the remaining 45 per cent in the Wuxi subsidiary.
- Opening of the sales and development centers in Shanghai.
- Decision to increase production capacity in India and to transfer to a new and larger production unit in Noida.
- Decision made to establish a new plant in Romania, with production scheduled to commence at the end of 2006.
- Named "Global supplier of the year" for chassis components by Daimler Chrysler
- New project orders in North and South America and Asia as a consequence of Trelleborg's ongoing technology-transfer program.
- New contracts secured with Asian manufacturers.
- A specific program initiated to secure a larger proportion of components from low-cost areas.

Key figures

	2005	2004
Net sales, SEK M	9,550	9,182
Share of Group net sales, %	38,8	39,4
EBITDA, SEK M	913	961
EBITDA, %	9,3	10,1
Operating profit, excluding restructuring costs and impairment losses, SEK M	531	587
Operating profit, including restructuring costs and impairment losses, SEK M	531	330
Operating margin (ROS), %	5,3	6,0
Capital employed, SEK M	5,769	5,132
Return on capital employed (ROA), %	9,6	11,1
Capital expenditures, SEK M	485	546
Operating cash flow, SEK M	526	340
Operating cash flow/operating profit, %	99	58
Average number of employees	9,460	9,608

The year 2005

Market development

During 2005, the global market for car production rose by approximately 2 per cent. The strongest trend was in Asia where continued rapid development generated growth of approximately 10 per cent.

In North America, car sales during most of the autumn were at a lower level than in 2004, partly due to the substantial discounts offered during the summer and continued high fuel prices. For full-year 2005, car sales nonetheless improved somewhat on 2004 with an increase of 0.5 per cent, while car production in North America was in line with 2004, with a decline of 0.3 per cent.

In Europe, the car market remained relatively sluggish. Although the outlook improved towards the end of 2005, the year showed an overall slight decline in car sales (down 0.7 per cent). Production also fell (down 0.6 per cent) compared with 2004.

Growth

Organic growth has been the focus of Trelleborg's activities and in 2005 several growth initiatives produced results. A continued focus on global knowledge transfer led to the start of production of several major engine-mount contracts with Ford, DCX, General Motors and Daewoo. All of these orders represent an increase in market share in North America.

The new plant in China is now fully operational. As a consequence of the favorable trend in India, with an expanding customer base and increased sales, a decision has been made to relocate Trelleborg Automotive's current operations in Ghaziabad to a bigger facility in Noida. The new unit provides scope for growth through increased production capacity at a modern plant with twice the overall amount of space. The transfer is scheduled to take place during the first half of 2006. In this way, Trelleborg Automotive will be able to benefit from growing demand in the region. Increased focus on Asian customers has resulted in several new orders being secured in China, India

and Korea. At the beginning of 2006, a decision was made to expand operations in Korea during the first half of the year, further increasing production capacity.

As a result of continued cooperation with Tokai Rubber Trelleborg Automotive increased its deliveries to Toyota from our Brazilian and Indian plants. Trelleborg Automotive also increased its business with Toyota in Europe for plastic molded products.

A greater share of products and components from areas offering a more competitive cost level remains a key objective.

During the year, a decision was also made to construct a new plant in Romania. Production is scheduled to commence at the end of 2006. The plant is expected to have approximately 200 employees by the close of 2009 and to generate sales of about SEK 300 M based on orders already booked.

Product development

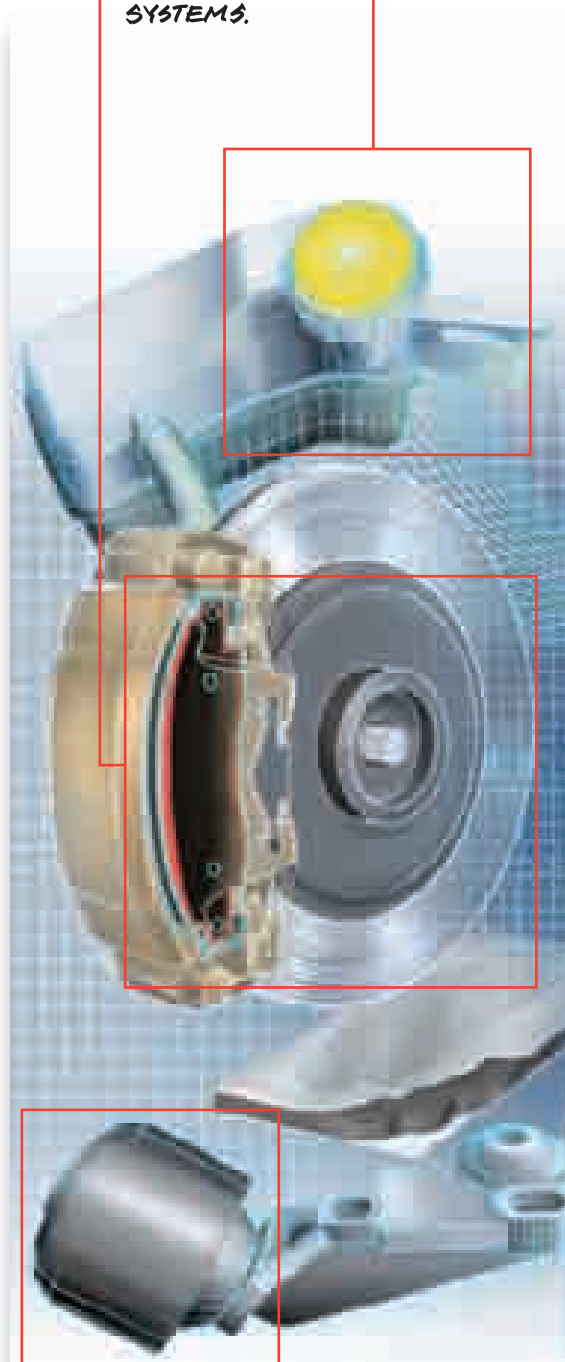
During the year, the business area's strong global technology platform in antivibration operations resulted in favorable order bookings, supporting Trelleborg Automotive's strong position as supplier for the automotive industry's globally developed platforms.

Key to Trelleborg's competitive advantage is its close partnership with customers. With the growth in sales of turbo-powered diesel vehicles, underhood temperatures are rising, requiring detailed knowledge of heat-resistant materials.

A growing use of lighter steels means an increase in vibration and a need for new technologies. This is reflected in our many development programs with the major car manufacturers. Trelleborg Automotive continues to evolve its range of active engine mounts, and research into thermoplastic polymers and the bonding of plastics to metal.

Trelleborg's global network of plants is now supported by regional design and development headquarters, which are centrally coordinated and supported.

NOISE INSULATION FOR BRAKING SYSTEMS.



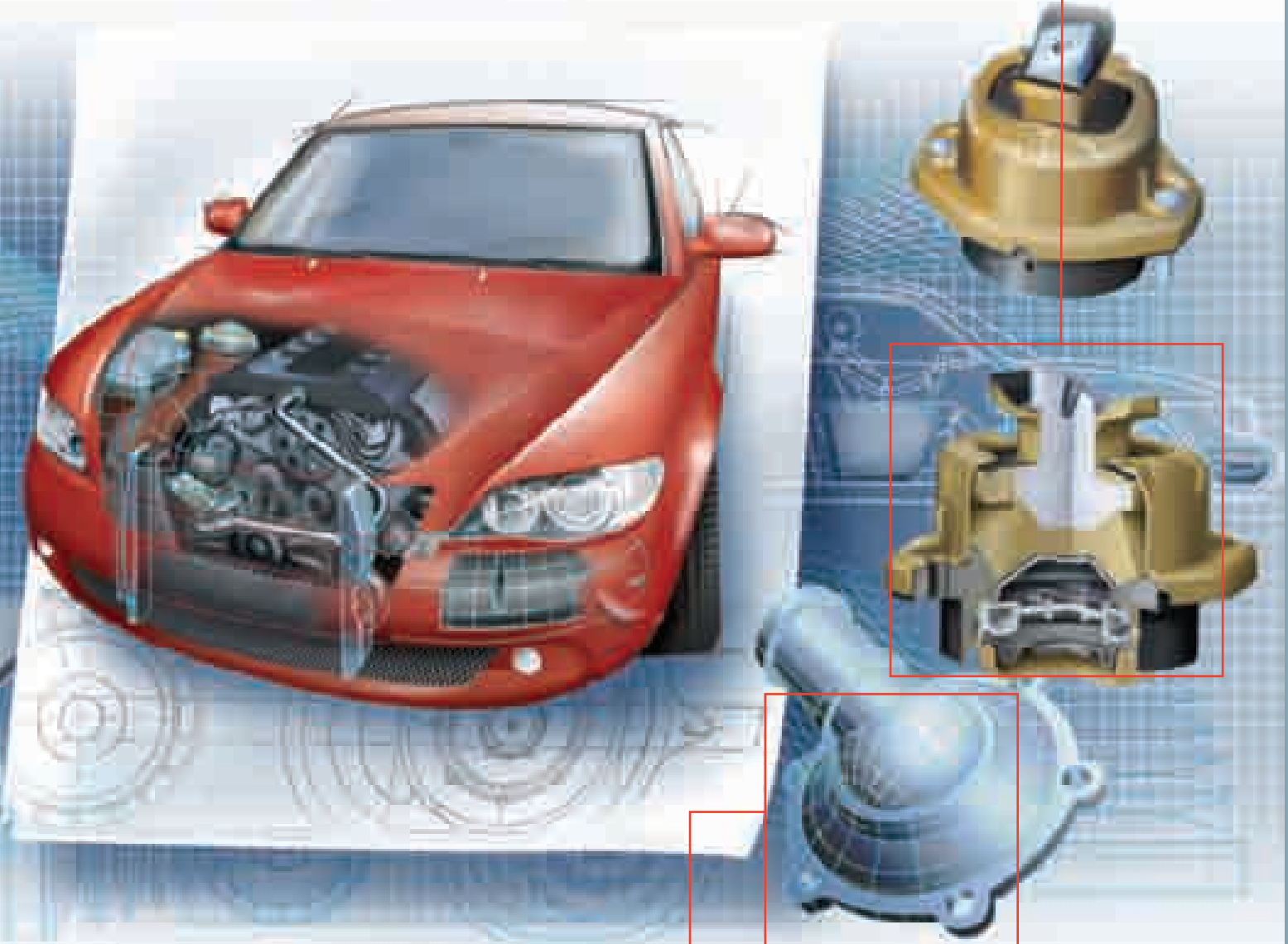
SPECIALIST ENGINE-MOUNTING SOLUTIONS.

Efficiency improvements

- Trelleborg Automotive participates in General Motors' steel resale program, offsetting the effects of increased prices for raw materials.

**PLASTIC INJECTION
MOULDED COOLING
SOLUTIONS FOR
AUTOMOTIVE
APPLICATIONS.**

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



**THERMAL MANAGEMENT
UNDER THE HOOD.**

- Focus on core operations in China, entailing restructuring and the divestment of non-prioritized segments.
- Relocation of production to Turkey, China, Mexico and India.
- Consolidation of sub-suppliers and increased purchasing in low-cost areas to offset increased prices for raw materials.
- Reorganization and consolidation of Fluid & Acoustic Solutions

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 is a marketing driven organization with three geographic business units, Europe, the Americas and the Asia-Pacific region, which are responsible for marketing, sales and logistics, and two globally-focused business units for production (Elastomers and Engineered Plastics).

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

Markets and customers

Trelleborg Sealing Solutions provides global coverage. 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 ABB, the Bosch Rexroth Group, Edwards, Honda, Husky, Liebherr, Rolls Royce, Siemens, Tetra Pak, Volvo and Wärtsilä. Customers in the automotive segment are primarily sub-suppliers.

Significant trends

Trelleborg Sealing Solutions serves three major market segments which have dissimilar profiles. The seal market for industrial applications is influenced by the general trend in industrial production and by growth in the market for durable goods. The aerospace segment is led by commercial and military aviation trends. The automotive segment is a multinational market, driven by the conjunction of global and regional trends.

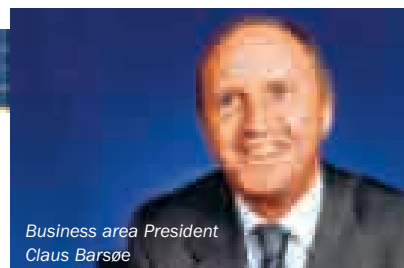
Customers impose increasingly high demands on total solutions and attempt to reduce their supplier bases. As a result, leading suppliers such as Trelleborg must offer holistic solutions.

Since seals often have safety-critical functions, the demand for durable and reliable products is growing. As more and more advanced equipment is em-

ployed in various areas, requirements grow more stringent and complex. Seals must be able to cope with extreme temperatures and pressures, withstand more aggressive media, or offer other specific characteristics. Seals must also comply with stricter environmental legislation. Combined, these factors create an ongoing decline in the number of suppliers able to offer solutions that satisfy more stringent and complex quality requirements.

Strategic priorities

- Increased growth, particularly in the Asia-Pacific region, North America and Eastern Europe.
- Accelerated global organic growth.
- Selective acquisitions in targeted segments.
- The market's best service for priority customers.
- Excellent Supply-Chain and Customer-relationship management.
- Rational production and cost-efficient purchasing.
- Brand management
- Implementation of the proven European business model in the US and Asia.
- Increased focus on selected segments within Automotive.



Business area President
Claus Barsøe

Three business segments:

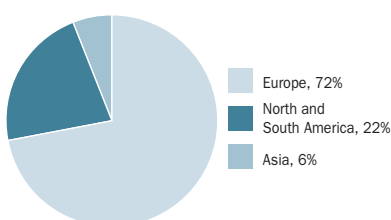
Industrial applications: Advanced sealing solutions in specialty materials for a range of industrial applications. The largest product groups are O-rings, rotary seals, hydraulic seals and washers. The market for polymer industrial seals in Europe and North America amounts to approximately SEK 18 billion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

Automotive: Advanced and often security-critical seals for steering, fuel-control, air-conditioning, air-induction and driveline systems. The market for polymer automotive seals in Europe and North America amounts to approximately SEK 17 billion annually.

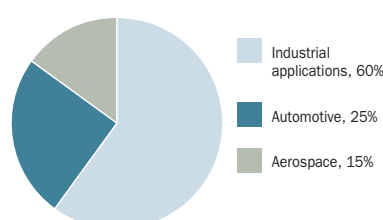
Aerospace: Trelleborg's aircraft seals are used in virtually all major commercial and military aircraft programs. Key application areas are engines, flight controls and actuators, landing gear, airframes, wheels and brakes. The market for polymer aerospace seals in Europe and the US amounts to approximately SEK 3 billion annually.

Position and competitors: Trelleborg is the market leader in seals for industrial applications in Europe. In seals for the aerospace industry, Trelleborg is the market leader in Europe and ranks second in North America. Trelleborg is also leading in specific automotive niches which require high-performance seals. Competitors include Freudenberg-NOK, Parker Seals, SKF, Federal Mogul, Dana and Hutchinson.

Net sales per geographic market



Net sales per business segment

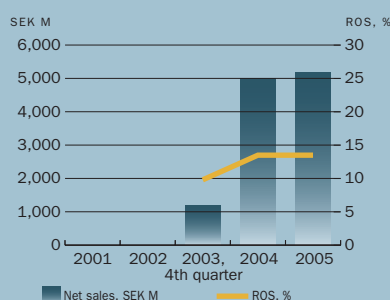


Advanced zero-tolerance products for, among others, the microelectronics, food and pharmaceuticals industries are developed and tested at Trelleborg's "clean room" in Ashchurch, in the UK.

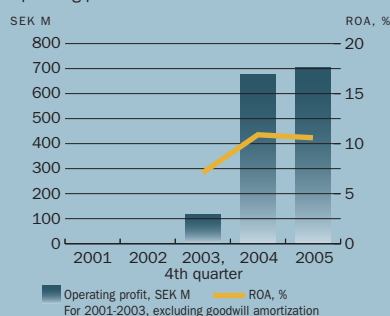


SUMMARY OF 2005

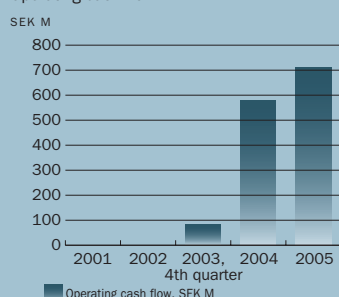
Net sales and ROS



Operating profit and ROA



Operating cash flow



Sales and earnings

- Sales rose to SEK 5,166 m. In comparable currencies/units, sales rose by 1 per cent for the 2005 full year compared with 2004. The business area experienced favorable growth in prioritized segments.
- Operating profit rose to SEK 703 m. An improved product mix had a favorable effect, while increased efforts, including extended infrastructure in North America and Asia, were charged against earnings.
- Cash flow improved, primarily as a consequence of a lower level of net investment.

Significant events

- Commencement of construction of a new plant in Shanghai. Production is expected to start during the first half of 2006.
- Acquisition of operations in the Indian distribution company Rollon Hydraulics Pvt, based in Bangalore.
- Acquisition of operations in Chase Walton Elastomers, a leading designer and manufacturer of seals and silicon products for the aerospace, medical and biotech industries.
- Opening of four new marketing companies in the US.
- Logistics Center Americas now in operation.
- On-Time-Delivery increased to 97 per cent.
- Restructuring/reorganization of elastomer operations.
- Increased efforts and focus on selected niches in the automotive segment.

Key figures

	2005	2004
Net sales, SEK M	5,166	5,009
Share of Group net sales, %	21,0	21,5
EBITDA, SEK M	875	837
EBITDA, %	16,9	16,7
Operating profit, SEK M	703	676
Operating margin (ROS), %	13,5	13,5
Capital employed, SEK M	6,787	6,119
Return on capital employed (ROA), %	10,6	10,9
Capital expenditures, SEK M	148	224
Operating cash flow, SEK M	710	579
Operating cash flow/operating profit, %	101	86
Average number of employees	5,640	5,708

The year 2005

Market development

Over an economic cycle, the polymer seals market tracks industrial production levels. Combined growth in industrial production in the countries in which Trelleborg Sealing Solutions operates was slightly less than 2 per cent, somewhat below the 2004 level.

Western Europe has been affected by a decline in the UK and Italy. This was partly offset by growth in Sweden, Switzerland, France and Austria, and by stability in Germany, Eastern Europe and North America, despite some weak segments. The Asia-Pacific region remains the fastest growing due to the trend in China and India and the recovery in Japan.

Growth

Most of Trelleborg Sealing Solutions' sales are generated in Europe, historically Trelleborg's stronghold. However, the objective is to increase Trelleborg's market share in the Asia-Pacific region, Eastern and Central Europe and the US. Consequently, Trelleborg Sealing Solutions is increasing its presence in these markets. Four new Marketing companies were founded in the US during the year.

In 2005, growth in the aerospace segment as well as in specific industrial sub-segments was very high. In contrast, automotive sales were affected by the downturn in the industry. To benefit fully from the excellent prospects of the aerospace market and to further extend the product and service positions, Chase Walton Elastomers in Hudson, Massachusetts was acquired in October.

In the expanding economies of Southeast Asia and Eastern Europe, sales are driven by customers progressively requiring higher levels of technology and quality. Accordingly, these customers are increasingly seeking a full-service supplier. Growth in these areas is also fuelled by customers relocating production from higher cost areas. Trelleborg makes considerable investment to precede or accompany its customers in their moves. During the year, construction commenced of a new plant in Shanghai, China. The

plant will increase capacity for the production of high-quality precision seals in materials such as PTFE and will facilitate further expansion in Asia through increased service to new and existing customers in the region. The unit will also house a technology center and a sales office. Production is scheduled to commence during the first half of 2006. Initially, the plant is expected to employ about 200 people.

Product development

Trelleborg Sealing Solutions employs over 300 employees in technical development and support activities. Customers are offered total sealing solutions that may encompass product design, materials development, customized logistics, specialized manufacturing and materials from external partners. By offering solutions to complex sealing problems, the business area continually secures and expands its market shares.

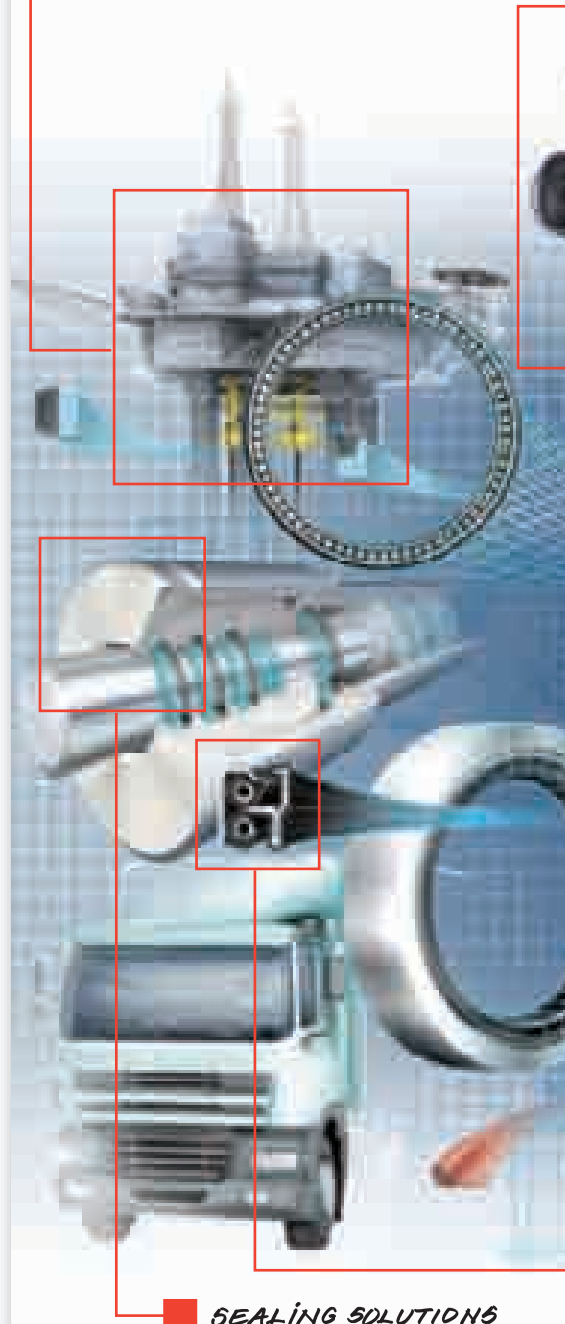
A number of innovative products and materials were launched in 2005, including:

- The Isolast® Fab Range™, a range of high performance FFKM materials developed to meet the most stringent demands of the semiconductor processing industry.
- Turcon® materials, specially developed for use in food, pharmaceutical and chemical processing applications.
- New version of our world-leading aerospace fire seals that can withstand temperatures of 1,100 degrees Celsius for up to 30 minutes.
- Turcon® HPNA, an advanced high pressure, non-abrasive seal material for Aerospace applications. This material is able to provide a secure seal throughout the increased component lifecycles associated with longer flight times and distances.

Efficiency improvements

Focus on efficiency has resulted in a number of projects. Foremost among these is the continuous restructuring of our elastomer operations, with the transfer of production to low-cost coun-

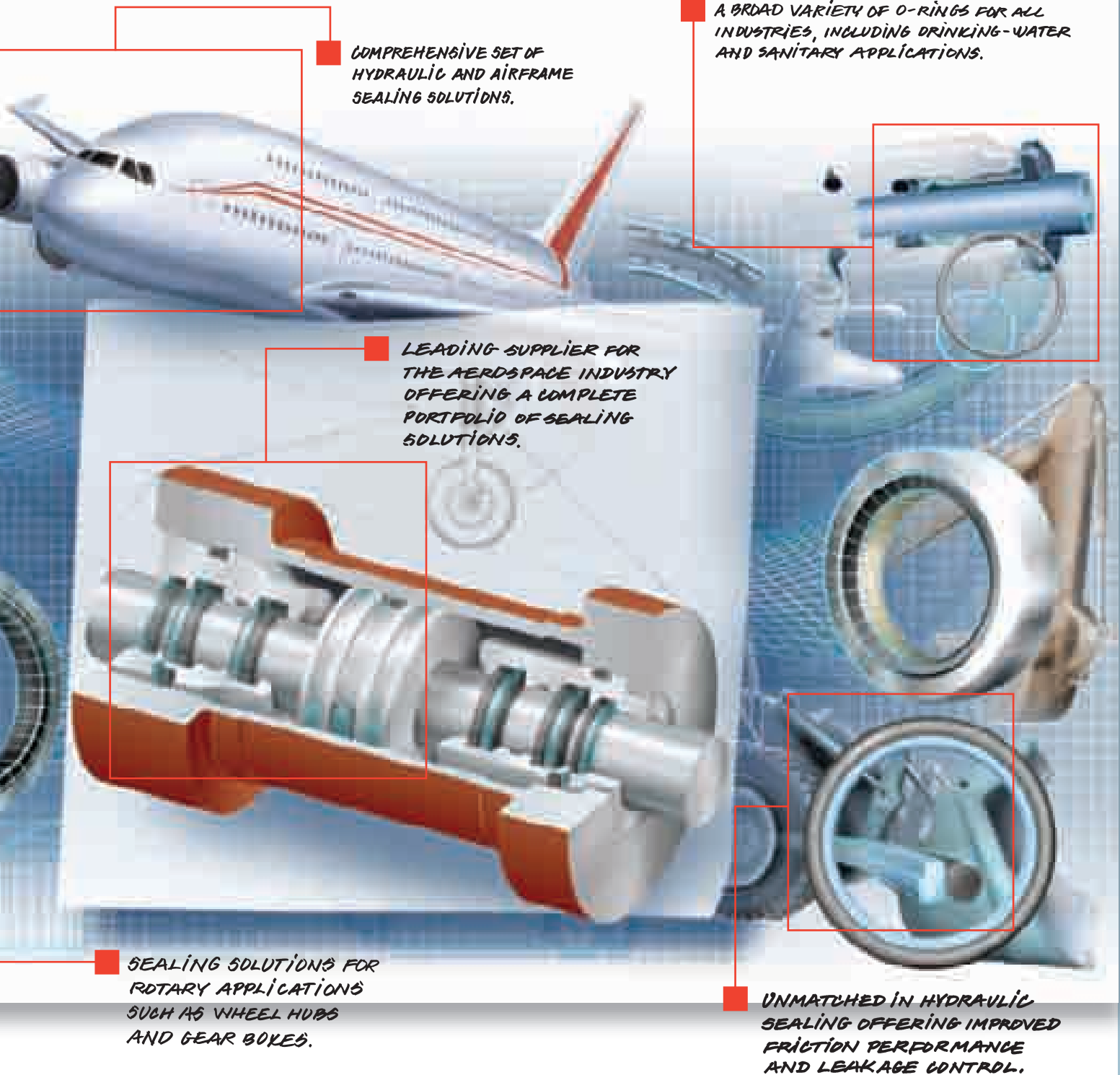
COMPLETE SEALING SOLUTIONS FOR THE OIL AND GAS INDUSTRIES.



SEALING SOLUTIONS FOR LINEAR HYDRAULIC APPLICATIONS, SUCH AS EXCAVATORS OR HYDRAULIC PRESSES.

tries in Eastern and Central Europe, Mexico, India and Brazil.

The business area's production units have established regular benchmarking and best-practice transfer activities, which have tangibly improved operations. This includes more efficient production methods offsetting cost increases for



**COMPREHENSIVE SET OF
HYDRAULIC AND AIRFRAME
SEALING SOLUTIONS.**

**A BROAD VARIETY OF O-RINGS FOR ALL
INDUSTRIES, INCLUDING DRINKING-WATER
AND SANITARY APPLICATIONS.**

**LEADING SUPPLIER FOR
THE AEROSPACE INDUSTRY
OFFERING A COMPLETE
PORTFOLIO OF SEALING
SOLUTIONS.**

**SEALING SOLUTIONS FOR
ROTARY APPLICATIONS
SUCH AS WHEEL HUBS
AND GEAR BOXES.**

**UNMATCHED IN HYDRAULIC
SEALING OFFERING IMPROVED
FRICTION PERFORMANCE
AND LEAKAGE CONTROL.**

materials and wages. Joint purchasing for the entire business area is also contributing to savings in crucial areas. In mature markets, efforts were intensified to find capable, cost competitive third party suppliers to extend product and application lifecycles. Several key alliances have been negotiated to combine competitive

advantages and maximize manufacturing and distribution efficiency for the benefit of our customers.



Business area President
Lennart Johansson

Trelleborg Engineered Systems is a leading global supplier of 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, Estonia, France, Germany the Netherlands, Norway, Singapore, Spain, Sweden, the UK and the US.

Markets and customers

Industrial Fluid Systems has global sales with the emphasis on Europe and North America. Key customers include companies active in the offshore oil and gas sector, food, chemicals and beverage industries, and large distributors of industrial supplies.

Within Engineered Solutions, Trelleborg is globally active. Key customers are the different players in infrastructure construction and offshore industries.

Significant trends

Industrial Fluid Systems operates in a mature market, with growth that follows the trend of industrial production. The structure of the European sector is fragmented and contains a large number of players. A 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 tenders 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 selected segments. At the same time, it is withdrawing from segments in which future prospects are not deemed to be as favorable.

Strategic priorities

- Geographic expansion in Asia and Latin America.
- Increased proportion of customized system solutions.
- Active search for complementary acquisitions.
- Continued focus on production efficiency improvements.
- Optimization of product portfolio within primarily Industrial Fluid Systems.

Two business segments:

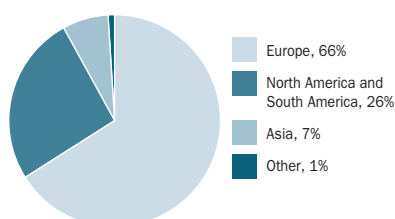
Industrial Fluid Systems: Reliable industrial fluid systems, such as hose systems and elastomer laminates in polymer materials for advanced applications. Properties demanded by customers range from fire and chemical-resistance within offshore oil and gas environments to products that are completely free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

Position and competitors: 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.

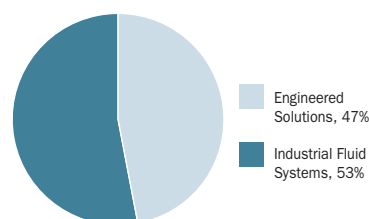
Engineered Solutions: Specialized solutions for infrastructure construction projects, such as fender systems for harbors, tunnel seals, dredging systems, acoustic and vibration-damping solutions for railways, bridges and buildings, niche products for offshore oil and gas extraction, and other specialty 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: Bridge-stone, Sumitomo and Phoenix; in offshore, oil and gas: Shaw Industries and other companies within specialist niche areas; and in protective clothing: DuPont, Lakeland and Dräger.

Net sales per geographic market



Net sales per business segment

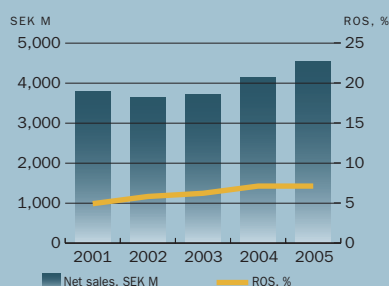


The Trelleborg R&D Center in Norway develops advanced products capable of withstanding firestorms with speeds of up to 110 meters per second and temperatures of up to 1,400 °C.

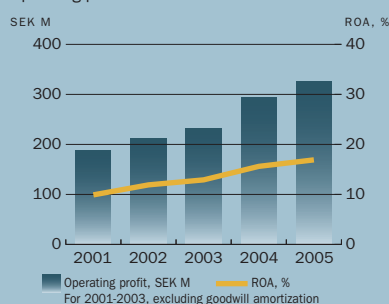


SUMMARY OF 2005

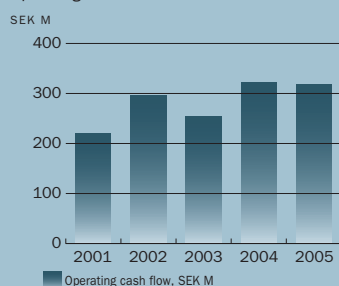
Net sales and ROS



Operating profit and ROA



Operating cash flow



Sales and earnings

- Sales increased to SEK 4,549 M. The increase was related to growth within all prioritized market segments and to completed acquisitions. For comparable currencies/units, sales rose by 8 per cent
- Operating profit improved to SEK 325 M. Hikes in raw material prices were offset through pricing, a positive volume/product mix and internal efficiency improvements.
- Cash flow remained favorable.

Significant events

- Agreement to acquire CRP Group signed in December 2005; transaction completed in January 2006. CRP has annual sales of around SEK 1,000 M, with about 500 employees.
- Several complementary acquisitions were also made in 2005:
 - Fender operations from Metso Minerals, based in Sweden and the US.
 - Operations in Armwest Pty Ltd in Perth, Western Australia (specialist applications and materials handling).
 - Acquisition of minority holding in Ou Saare Martex in Estonia (moulded products).
 - Tunnel sealing operations within VIP Heinke Ltd in the UK.
 - Andre Division from Silentbloc Ltd (damping bearings).
 - Dunlop GRG Ltd (transportable storage systems for fluids in rubber sheeting).
- Substantial project orders, mainly within offshore oil and gas extraction, including:
 - first full-scale order for a complete Trelline system.
 - Framework agreement with Canadian Natural Resources to upgrade fire-safety equipment on CNR's North Sea oil platforms with Trelleborg's Elastopipe system.
- Lennart Johansson appointed new President of Engineered Systems, effective November 1, 2005.

Key figures

	2005	2004
Net sales, SEK M	4,549	4,133
Share of Group net sales, %	18,5	17,7
EBITDA, SEK M	448	422
EBITDA, %	9,9	10,2
Operating profit, excluding restructuring costs and impairment losses, SEK M	325	293
Operating profit, including restructuring costs and impairment losses, SEK M	325	175
Operating margin (ROS), %	7,1	7,1
Capital employed, SEK M	2,078	1,758
Return on capital employed (ROA), %	16,9	15,6
Capital expenditures, SEK M	94	104
Operating cash flow, SEK M	317	321
Operating cash flow/operating profit, %	98	109
Average number of employees	3,261	3,303

The year 2005

Market trends

Demand in the market for industrial supplies in Europe and North America was stable.

Conditions in the market for Trelleborg's project-related products were favorable. Particularly strong demand was noted for offshore oil and gas extraction products, as new oil and gas fields were developed and new technologies introduced.

Growth

The market for offshore oil and gas is expected to continue to offer favorable development potential. During the year, the business area further strengthened its position in Asia and also increased its sales of niche products in the area.

In December 2005, an agreement was signed to acquire the CRP Group, which is based in the UK and the US and holds a strong position in the area of systems for oil and gas projects in sub-sea environments. The company is active in seismic surveys of the ocean floor and drilling and subsea production, with solutions for deepwater flow assurance and buoyancy systems, as well as other specialized engineered polymer-based solutions. Through this acquisition, Trelleborg will become a global market leader in polymer systems and solutions for oil and gas-extraction projects in offshore environments. The acquisition was formally concluded in January 2006.

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 was achieved during the year in selected segments, such as applications in the food, chemicals and petrochemicals sectors.

During the year, contracts were signed to establish joint-venture companies for the production and sales of composite hose products in China. The aim is to utilize the new company for expansion within selected hose segments in the China/Asia market, and to expand Trelleborg's strong position in Western Europe within composite hose products for the

petrochemicals sector. Another joint venture was established in France to handle sales of special connections for hose systems.

Sales of fender systems in North America, Scandinavia, the Middle East and parts of Asia developed positively resulting in a highly favorable order situation approaching 2006. Market efforts were intensified through expanded sales resources, particularly through the integration of the fender operations acquired from Metso during the year.

Deliveries during the year to truck and construction machinery OEMs remained at a high level.

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.

A major order, with an estimated value of approximately SEK 100 M, was secured for the unique Trelleline hose system. The system will be used in a large oil-extraction project off the coast of western Africa, with delivery during 2006. Trelleline® is a flexible pipe system in rubber and steel, specially adapted for oil projects in extremely deep water. The system will be used for connection of an FPSO (Floating, Production, Storage and Offshore) oil tanker to a Calm buoy. Trelleline's many advantages derive from the properties inherent in rubber, for example weight, flexibility, insulation, wear and corrosion resistance, as well as low installation and maintenance costs.

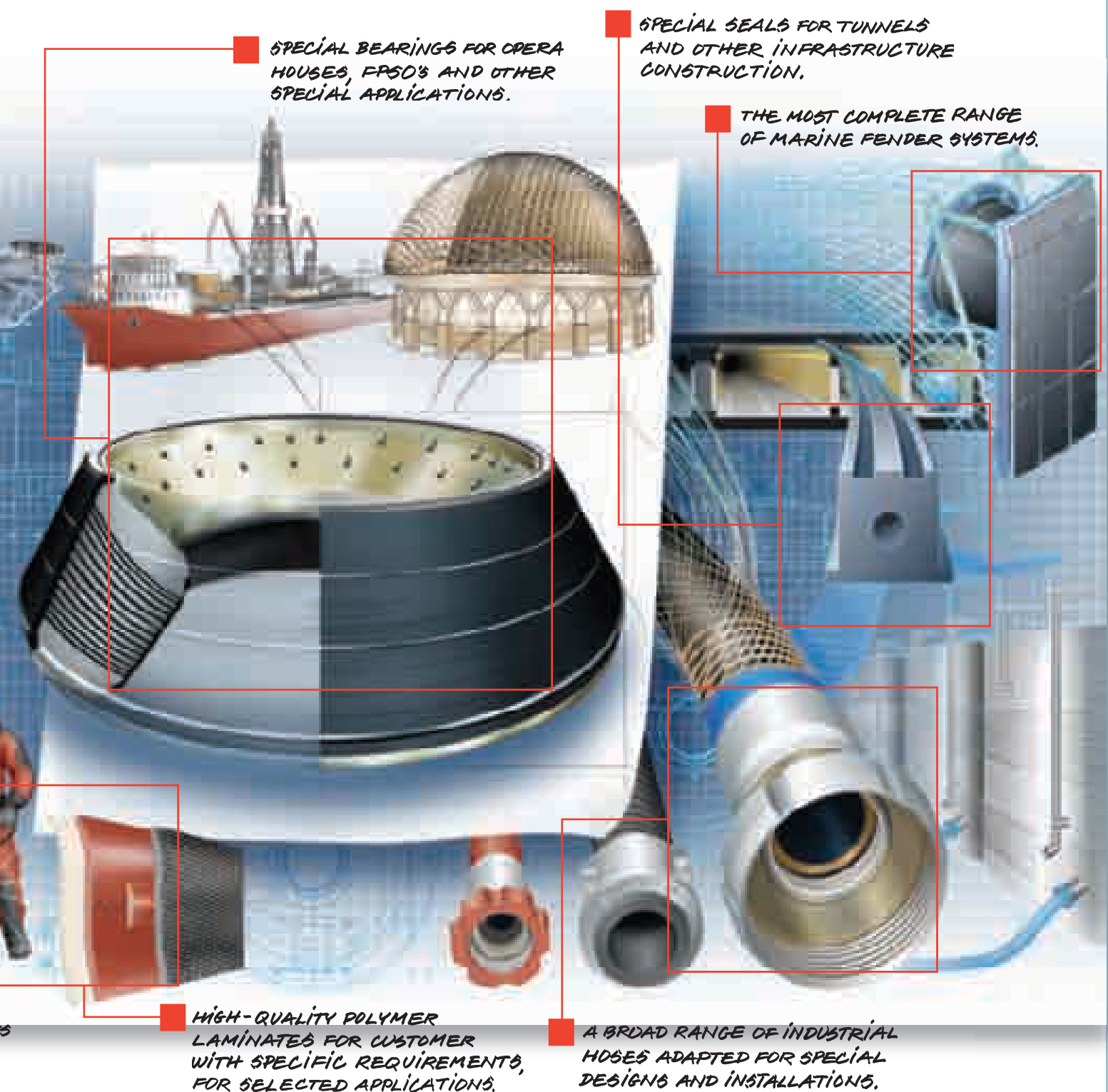
Trelleborg also signed a four-year framework agreement with Canadian Natural Resources, CNR International International (UK) Limited, regarding the upgrading of solutions for fire safety and sealing on all CNR platforms in the North Sea. The agreement includes Elas-



PASSIVE FIRE PROTECTION IN DEMANDING ENVIRONMENTS.

FLOATING LARGE-DIAMETER HOSE FOR DEMANDING ENVIRONMENTS.

topipe™ a flexible sprinkler system with unique, patented characteristics, and pipe-penetration seals. Elastopipe is constructed from fire-resistant synthetic rubber and has been developed for sprinkler systems in extreme high-risk environments, such as on oil platforms. Elastopipe can withstand extreme temperatures, explosions and rust. The solution is used for a



range of special applications and replaces pipes made from steel, titanium and glass fiber.

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.

Trelleborg Wheel Systems is a leading global supplier of tires and complete wheel systems for farm and forest machines, fork-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. During the year, favorable progress was made in establishing operations in new markets in North and South America as well as South Africa. Eastern Europe and the Asia-Pacific region also developed well. 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.

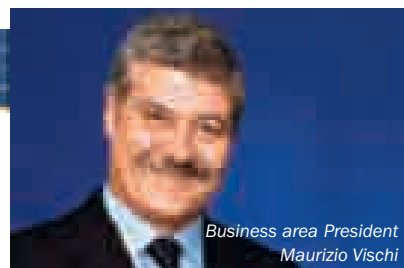
At the same time as machines are required to drive at increasingly high speeds on the roads, their tires should

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 is 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 80 per cent, with an increasing market for larger dimensions, where Trelleborg holds a strong position. It is estimated that the market for cross-ply tires is diminishing at a rate of 10-15 per cent annually.

The market for industrial tires is mature and developing in line with the general industrial trend. The European market is slowing due to a weaker economic trend, while the Asian market is growing strongly. Companies' efforts to reduce the amount of tied-up capital 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.
- Continued 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.
- Increased focus on strategic customers in the US to achieve better service and profitability.



Business area President
Maurizio Vischi

Two business segments:

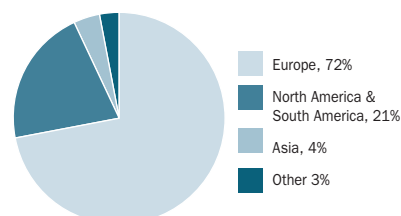
Agricultural & Forest Tires: Tires and wheel systems for tractors and other utility vehicles used in agriculture and forestry. The business area holds a prominent position in the segment for large-dimension quality tires, of which Trelleborg has a comprehensive range. Important brands are Trelleborg® and PIRELLI® (under license for agricultural tires only). The global market for farm and forestry tires is estimated at approximately SEK 24 billion annually, of which SEK 10 billion is in Europe. Despite decreasing volume, value remains the same as in 2004 due to increased tire dimensions. Replacement tires represent about 70 per cent of the market.

Position and competitors: Trelleborg is the second-largest player in the European agricultural market. Competitors in the market for agricultural tires are Michelin, Goodyear/Titan, Continental/Mitas and Firestone/Bridgestone. In the forestry segment, the main competitors are Nokian and Firestone.

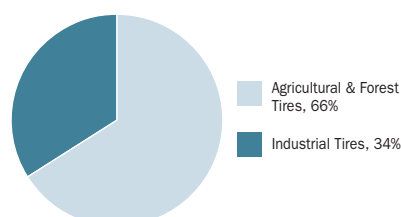
Industrial Tires: Tires and complete wheel solutions for materials-handling and transport vehicles used at facilities such as ports and airports, for example, fork-lift trucks and other highly utilized materials-handling vehicles. Important brands are Trelleborg®, Monarch®, Rota®, Mastersolid® and Orca. The market for tires for fork-lift trucks (ITA class 1.4 and 5) amounts to approximately SEK 5 billion, of which replacement tires represent about 70 per cent.

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

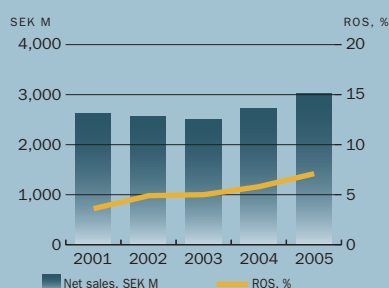


Road-holding properties are growing increasingly important for agricultural tires. Among other aspects, Trelleborg's facility at Tivoli in Italy tests the friction of the tire at different speeds.

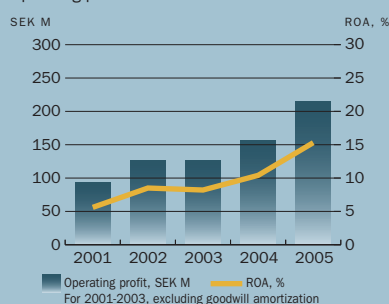


SUMMARY OF 2005

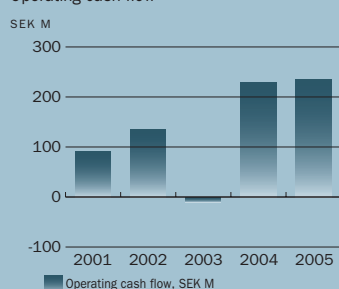
Net sales and ROS



Operating profit and ROA



Operating cash flow



Sales and earnings

- Sales increased to SEK 3,023 M. For comparable currencies/units, sales rose by 9 per cent. Sales were up in both business segments due to favorable delivery capacity in the agricultural market and improved conditions within the industrial tire market, especially in North America and the growth markets.
- 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 the more efficient handling of working capital.

Significant events

- Acquisition of Cimap Roues Industrielles SAS of France, which holds a leading position in the distribution of industrial tires in France.
- Establishment of jointly-owned company with Al Dobowi Ltd for the distribution of tires in the Middle East.
- Strong sales growth in markets outside Europe and North America, such as South America and Southeast Asia.
- Prices for natural and synthetic rubber rose strongly during the second half of 2005. The negative impact of these increases was offset by a combination of price increases, cost-reduction measures and improved product mix.
- Capacity utilization at the manufacturing units, especially in Sri Lanka, improved during the year.
- In the town of Trelleborg, the closure of the unit producing cross-ply agricultural was completed during the first quarter of 2006.

Key figures

	2005	2004
Net sales, SEK M	3,023	2,722
Share of Group net sales, %	12,3	11,7
EBITDA, SEK M	310	262
EBITDA, %	10,2	9,7
Operating profit, excluding restructuring costs and impairment losses, SEK M	215	157
Operating profit, including restructuring costs and impairment losses, SEK M	215	-28
Operating margin (ROS), %	7,1	5,8
Capital employed, SEK M	1,443	1,317
Return on capital employed (ROA), %	15,3	10,4
Capital expenditures, SEK M	84	71
Operating cash flow, SEK M	235	228
Operating cash flow/operating profit, %	110	145
Average number of employees	1,941	1,965

The year 2005

Market development

The market for agricultural tires declined by 2 per cent in 2005 compared with 2004. This was a consequence of lower revenues in the agricultural sector, which also resulted in decreased demand for radial tires. Demand from original equipment manufacturers as well as from the replacement market showed a slight downward trend. The market for cross-ply tires continued to diminish, confirming the technology shift and the transfer towards low-cost production.

In North America, the market for agricultural tires continued to grow in 2005 by 3 per cent, fuelled by stable farm incomes.

During the year, the Brazilian, South African and Australian markets were hampered by extended dry periods.

The global market for industrial tires grew by 10 per cent in 2005. However, according to the International Truck Association (ITA), Europe experienced zero growth due to the weak economic trend, while North America and Asia continued to develop favorably.

Growth

In Europe, Trelleborg Wheel Systems increased its sales of agricultural radial tires, and its share of the agricultural market. These successes are attributable to Trelleborg's market-leading position and favorable supply situation. 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 become a recognized supplier in all distribution channels.

During the year, Cimap Roues Industrielles SAS of France was acquired, which has annual sales of approximately SEK 40 M and approximately ten employees at its head office in Paris and central warehouse in Bordeaux. Through the acquisition, Trelleborg Wheel Systems strengthens its position in the important after market for industrial tires in France.

Sales of industrial tires were below market growth in general in both Europe and the US, mainly due the limited avail-

ability of materials at the beginning of the year. The global supplier agreement with the Nacco Material Handling Group (NMGH) continued favorably in 2005, although other existing OEM customers increased in importance for Trelleborg. Solid tires are the largest product group although pneumatic tires showed the strongest increase in terms of per cent. In geographic markets outside North America and Western Europe, sales continued to grow strongly, especially in Eastern Europe and Southeast Asia.

Product development

The development of radial agricultural tires, cross-ply forestry tires and solid industrial tires was intensified during the year with the objective of launching further products from the second half of 2005 and onwards.

Development efforts regarding tires for agricultural and forestry machinery 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. At Trelleborg Wheel Systems' development center in Italy, the development of such tires is conducted in collaboration with leading OEMs.

Trelleborg Wheel Systems also develops a number of special tires for various industrial applications. During 2005 Trelleborg launched the new Bergougnan Elite XP which will gradually take the place of the market leading brand Bergougnan Elite HT. Elite XP was launched in October and gained an excellent reception at the CEMAT 2005 trade fair in Hannover, Germany. The new product will become available in early 2006.

The new Trelleborg Elite XP provides significant advantages at a competitive price. Features of the new tire include 20 per cent greater stability and reduced tire wear; 15 per cent longer lifetime and a 15-per cent reduction in heat build-up. The new tire also provides low rolling resistance and an improvement of 10 per cent in the absorption of vibrations and

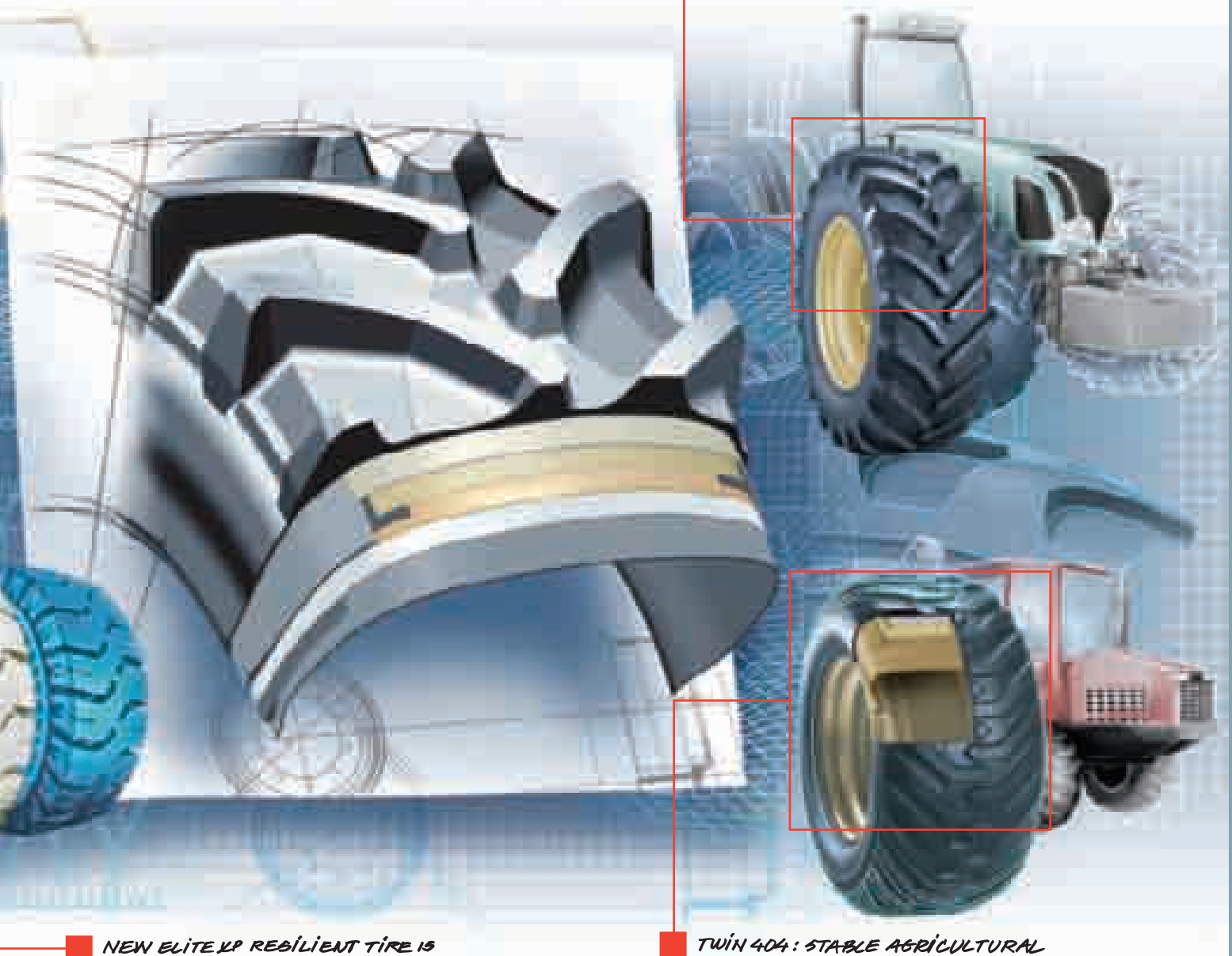
**BERGOUGNAN ELITE:
RESILIENT INDUSTRIAL TIRE:
MAXIMUM RELIABILITY AND COST
EFFICIENCY. STEEL BAND IN HEEL
PREVENTS WHEEL SLIPPAGE AND
OFFERS GOOD STABILITY.**



shocks. Trelleborg has also eliminated the use of aromatic oils as plasticizers five years before EU directives come into force.

Efficiency improvements

The unit in the town of Trelleborg, producing cross-ply agricultural tires, was closed during the first quarter 2006.



TM 900 HP: FOR HIGH POWERED TRACTORS AND GREAT TRACTION ON ALL KINDS OF SOIL. EXCELLENT SELF-CLEANING CHARACTERISTICS AND ROAD COMFORT.

NEW ELITE XP RESILIENT TIRE IS DEVELOPED WITH CDM TECHNOLOGY TO ACHIEVE: LONGER LIFETIME, HIGHER ENERGY EFFICIENCY, BETTER STABILITY.

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

The transfer of cross-ply tire production from the town of Trelleborg to sub-suppliers and Group facilities in Sri Lanka progressed successfully during 2005. The restructuring process will also increase production capacity at the Tivoli facility in Italy with equipment being transferred from Trelleborg.

All production units focused on cost-reduction programs to offset high raw material, freight and energy costs, particularly during the second half of 2005.

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, Germany and the Czech Republic.

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 bitumen-based products are sold chiefly in the Nordic region and the Baltic States. The consumer segment is reached through distributors, such as Coop, Hornbach and Scandek.

Within pipe seals, key customers include Wavin, 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 European 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 fourth 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 in the 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.



Business area President
Peter Suter

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: European market leader and the only pan-European supplier. Leading position also held in the North American consumer market for high-quality sealing profiles. Competitors include Semperit, Schlegel and Iseogomma.

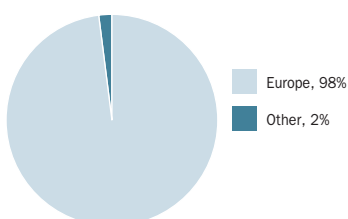
Waterproofing Systems: Bitumen and polymer-based products for application within the construction and civil engineering sectors. Trelleborg's membranes for waterproofing and protection applications are used in reservoir, landfill and bridge-protection environments. Within waterproofing and moisture protection 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, Duraproof 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.

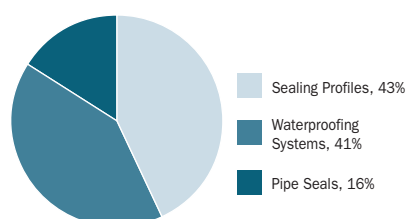
Pipe Seals: Sealing systems for concrete and plastic pipes, a complete product portfolio for concrete, plastic and steel pipe producers. Trelleborg is mainly active in the European market, which has total annual sales of around SEK 1.5 billion.

Position and competitors: 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

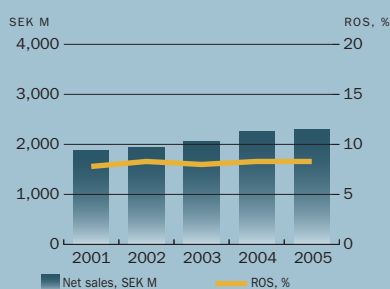


Many functionally adapted and customer-specific products are designed at the Trelleborg development center in Högåns, Sweden.

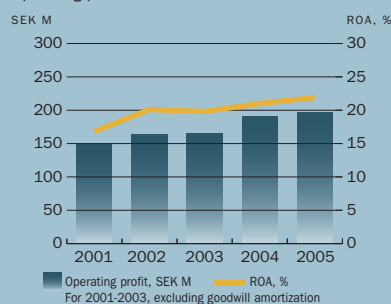


SUMMARY OF 2005

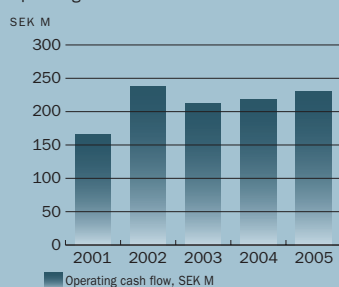
Net sales and ROS



Operating profit and ROA



Operating cash flow



Sales and earnings

- Sales increased to SEK 2,304 m. For comparable currencies/units, sales rose by 3 per cent. Intensified market cultivation combined with favorable demand in the Scandinavian construction market offset the German market, which remained weak.
- Profit rose. New development work and measures to improve efficiency had a positive effect, while ongoing restructuring measures had a negative impact.
- Operating cash flow remained strong, due to the positive effects of the ongoing capital-rationalization program, among other measures.

Significant events

- Contract signed to acquire remaining 70 per cent of Czech mixing unit, ECS.
- Acquisition of VA-Forum in Sweden to complement Pipe Seals and provide greater access to the expanding Nordic aftermarket.
- Coordination of mixing operations in Sweden, involving relocation of mixing unit in Värnamo to Forsheda and Bor.
- Finishing unit for industrial profiles in Österbymo shut down and operations transferred to Bielsko Biala, Poland.
- Profiles extrusion operations started up in Bielsko Biala, Poland.
- Majority of Danish roof contractor units converted into a franchise-based organization.
- Continuation of market-cultivation activities in Central Europe and North America.

Key figures

	2005	2004
Net sales, SEK M	2,304	2,257
Share of Group net sales, %	9,4	9,7
EBITDA, SEK M	258	253
EBITDA, %	11,0	11,1
Operating profit, SEK M	197	190
Operating margin (ROS), %	8,3	8,3
Capital employed, SEK M	858	859
Return on capital employed (ROA), %	21,9	21,0
Capital expenditures, SEK M	49	55
Operating cash flow, SEK M	230	218
Operating cash flow/operating profit, %	117	115
Average number of employees	1,362	1,453

The year 2005

Market trends

Demand in the Swedish construction market developed positively during the year. The trend in the rest of Scandinavia and in Western Europe was stable, with the continued exception of Germany. The consequential effects of the decline in the large German market created a certain imbalance in Central Europe.

During the year, the new EU countries in Central Europe gradually recovered from a period of weaker development.

Growth

The focus of the growth initiative was on increasing the establishment of operations in Central Europe. The overall market organization and presence were strengthened in the area and were further developed through the startup of industrial profile extrusion operations in Poland.

The remaining 70 per cent of the Czech mixing unit, ECS Elastomer Compounding s.r.o., was acquired from Germany's Rado. Trelleborg had owned 30 per cent of ECS, whose mixing unit is located in Lesina, in the Czech Republic, since 1998. The company produces rubber mixes for mainly profile producers focusing on the construction and industrial sectors. Most of ECS's production volume is delivered to the Trelleborg Group. The company has annualized sales of about SEK 75 M, with 40 employees. Synergies will be created in the form of common purchasing and cost-efficient supply to existing units, mainly within the Trelleborg Building Systems and Trelleborg Automotive business areas.

In China, the business area increased its market presence through an alliance agreement in the sealing profiles area with a manufacturing company in Xiamin.

The acquisition of Sweden's VA-Forum strengthened the Pipe Seals business segment and provided increased access to the growing aftermarket in the Nordic region. As a result of its increased presence and market-cultivation activities, Pipe Seals also strengthened its position generally in key European markets.

Developments took place within selected areas of the industrial profiles

sector through greater focus on new segments, such as ventilation and transport.

Other attractive growth areas include EPDM-based geosystems for landfill and water-storage lining and ground installation work, as well as EPDM sealing strips for building facades. The business area also signed an agreement to deliver geosystems to a major mining project in Serbia.

Product development

Sealing-profile products for the industrial market are fully customized, with specially adapted properties to solve the specific needs of individual customers.

General 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 antifriction systems were introduced during the year.

Within Waterproofing, Trelleborg develops bitumen- and polymer-based membrane products.

Development work is function-based and the aim is to develop complete systems.

An example of a successful product that has been launched in Europe is Elastofol®, a bitumen-based lightweight system for low-incline roofs that includes an electrical welding system.

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

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

Rubbox®, a waterproofing system for wet room environments, was developed during the year and will be launched during 2006, initially in Sweden.

Within Pipe Seals, self-lubricating pipe seals were developed during the year. These facilitate assembly and assure optimal conditions for the fitting and installation of concrete sewage pipes.

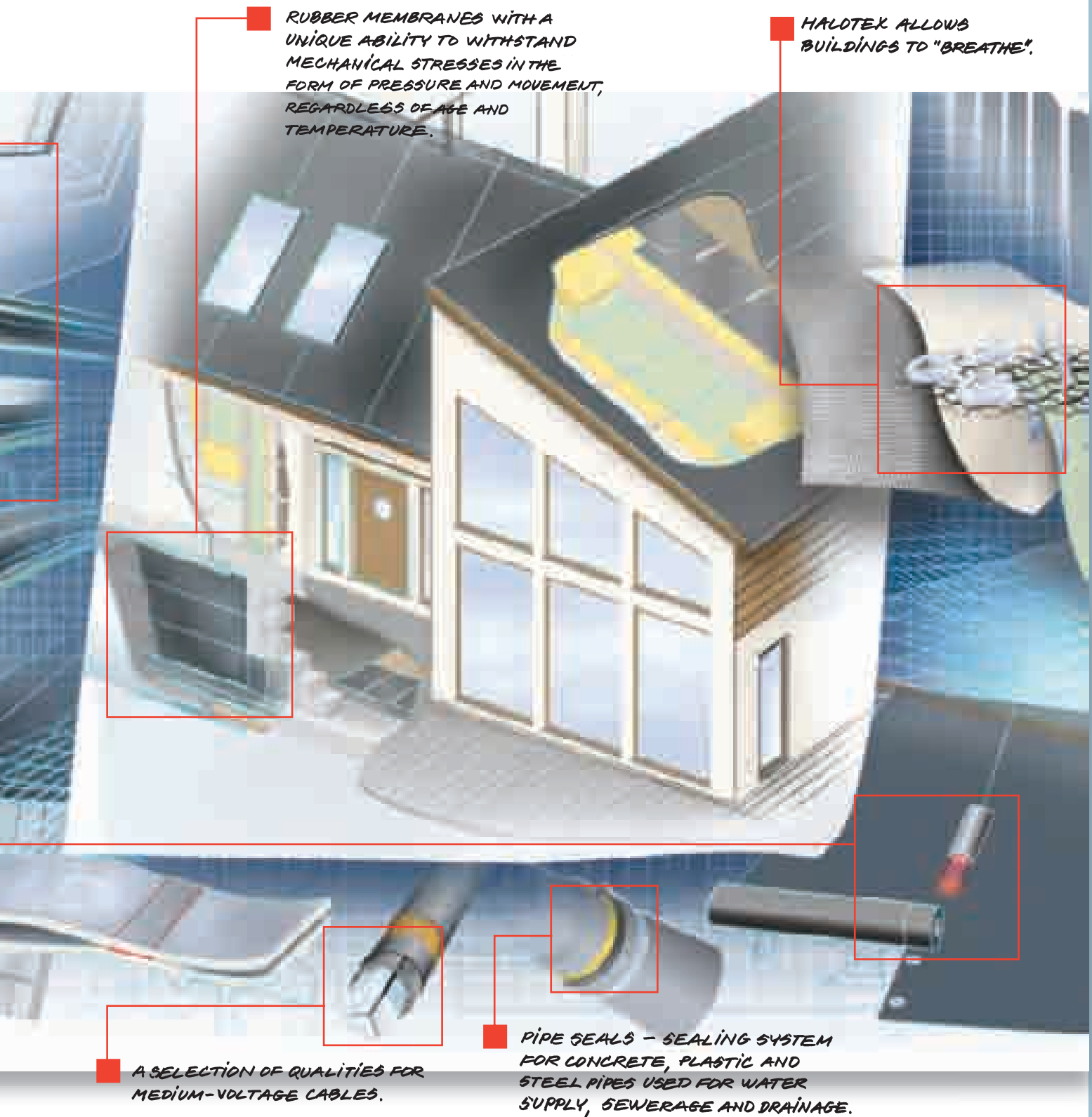
SEALS TO PROTECT AGAINST COLD, HEAT AND NOISE. USING POLYMER MATERIALS INCLUDING EPDM AND SILICONE, TPE, ETC.



TRELLEBORG EPDM MEMBRANE SYSTEMS ARE BASED ON A PATENTED SPLICING TECHNIQUE - THERMOBOND.

Efficiency improvements

- Continued focus on rationalization measures generated productivity gains in most of the business area's plants.
- The industrial profiles finishing unit in Österbymo was closed and operations



transferred to Bielsko Biala in Poland.

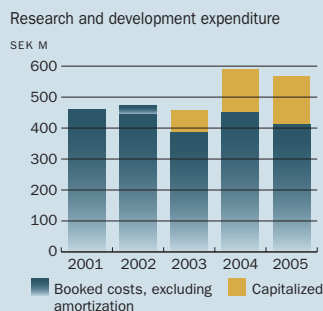
- Profile-extrusion operations started up in Bielsko Biala, Poland. In conjunction with this, certain products were transferred from a production unit in Germany.

- The mixing unit in Värnamo was closed and operations concentrated to Forsheda and Bor.
- Merger of consumer profile extrusion with industrial profiles in Sweden, and partial relocation of finishing

operations to Lithuania. Notice given that additional finishing operations will be transferred to Lithuania from Sweden in 2006.

Trelleborg's products and solutions are developed in close cooperation with customers. The process begins with our mission: to damp, seal and protect in demanding industrial environments. Finding new and constantly improved solutions in these areas is a central task for Trelleborg. And innovation is one of our basic values.

The Group devotes substantial resources to retaining a leading position in research and development. Today, Trelleborg has more than 40 technical centers worldwide. Some focus on research, others on development. Their work takes place on three levels. The first involves basic know-how in the physics and chemistry of polymers and other materials. The second is the application of knowledge from our seven global markets. The third is the design of products and solutions.



During 2005, research and development expenditure amounted to SEK 568 M (591), corresponding to 2.4 per cent (2.6) of sales. Of this amount, SEK 155 M (126) was capitalized and recorded as an intangible asset in the balance sheet. The year's amortization on capitalized development expenditure amounted to SEK 31 M (12).

Developing solutions that secure values

Trelleborg's innovations always originate in the market place. For each project, the Group's technical centers, which work on research, design and testing, bring together innovation teams with different forms of expertise.

Polymers and beyond

Our innovations are based on the latest technologies for sealing, damping and protecting. We combine in-depth materials know-how and experience primarily in polymer applications. We design polymers and combine them with other materials to obtain unique properties of elasticity and resistance to various stresses in harsh environments.

However, polymers are not the only answer to the challenges we face. In products such as seals, fenders and anti-vibration mounts, polymers are combined with other materials and electronics to form intelligent solutions to advanced technical problems in diverse industries.

Partners in science

Trelleborg also cooperates with research institutes and universities worldwide. Working closely with the scientific community ensures a position at the forefront of materials development. Scientists are integral to our innovative process, joining Trelleborg, customers and other experts in open discussions on new materials, applications, test methods and other research and development topics.

markets but also on basic technical analyses, at an early stage, of concepts and innovations introduced by customers, Trelleborg or external researchers. At our technical centers and external institutes, we have access to qualified facilities for audio analysis, pressure, temperature and load simulation, evaluation of wear and friction, system analysis, non-linear material analysis and much more.

The Group has the resources to utilize the results of its basic analysis and technical intelligence in the design phase. All business areas have computer-aided simulation and 3D CAD resources, prototypes can often be delivered within 24 hours.

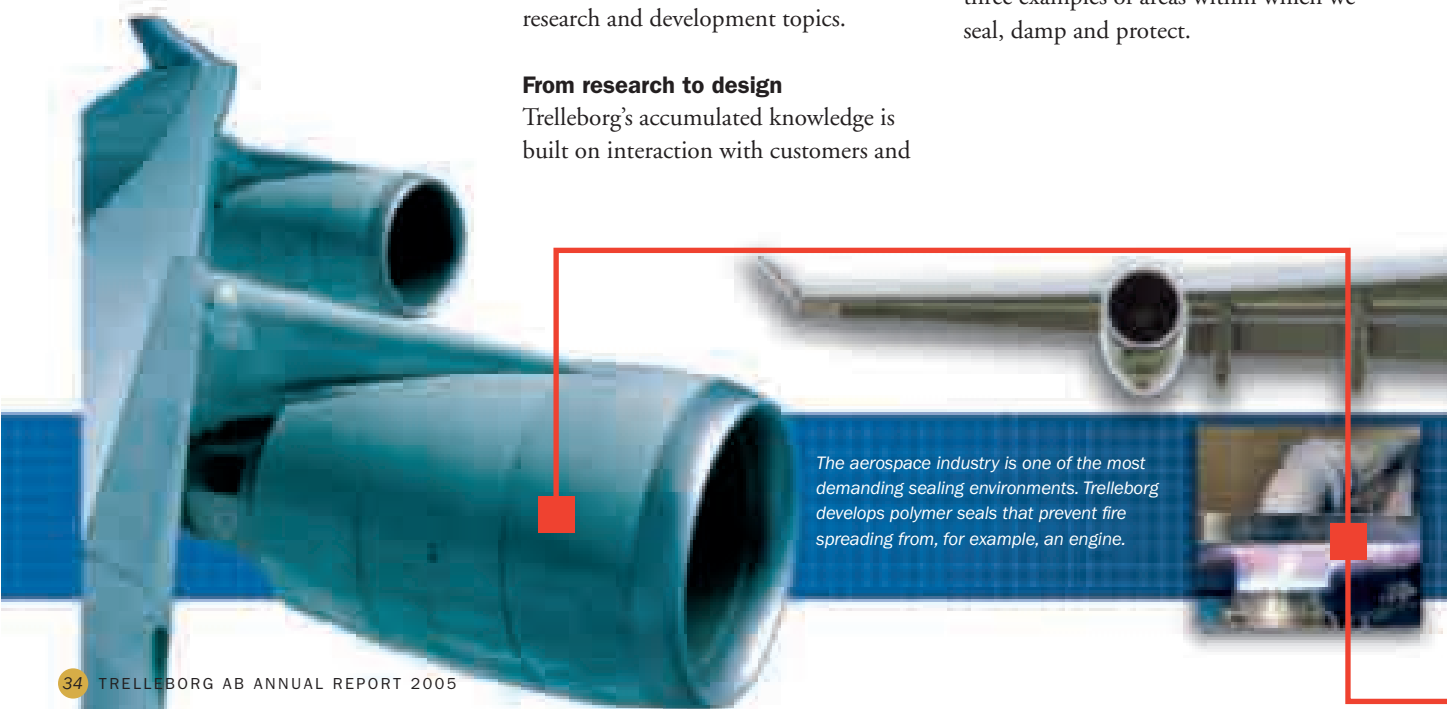
Quality is timeless

The theme of Trelleborg's centenary in 2005 was "Quality is timeless." To safeguard lasting quality, we have complete facilities for the testing of all products. We test them under various conditions of compression, temperature and exhaustion, pressure, wear, load, vibration, noise and harshness. Many of the tests are computer-aided and are performed at the Group's technical centers. However, in the final stages, prototypes and finished products are tested on-site, often at customer facilities and under realistic circumstances. Completed products are then ready to seal, damp and protect in demanding environments worldwide.

On the following pages you find three examples of areas within which we seal, damp and protect.

From research to design

Trelleborg's accumulated knowledge is built on interaction with customers and



The aerospace industry is one of the most demanding sealing environments. Trelleborg develops polymer seals that prevent fire spreading from, for example, an engine.

SEAL

Safety critical airborne seals

Aerospace is a prioritized market for Trelleborg and one of the most demanding of all sealing environments. Trelleborg's aerospace technicians in the UK develop the ultimate in safety-critical seals, the fire seal. Eddie Shephard and Duane Smith from Trelleborg Sealing Solutions' technical centre in the UK tell us about the on-going development of the fire seal and the challenges this presents.

An aircraft can never risk component failure and seals are vital to most aircraft functions, but they are essential in safety critical applications.

"Fire seals are located in engine assemblies, fuel systems, and associated ducting systems. They are present to stop fire propagating beyond the main engines compartments mounted on the wings or tail sections of the aircraft. Fire seals can also be found situated in and around the auxiliary power unit which provides an electricity source for the aircraft," says Shephard.

"The fire seals must comply with one of two standards. They must be *fire proof*, meaning they can withstand a flame of 1,100 °C for 15 minutes, or they must be *fire resistant*, meaning they can withstand a temperature of 1,000 °C for 5 minutes. Fire seals must also have the capability of being

flexible to accommodate for the thermal expansion/contraction of the aircraft and to permit movement without damaging the surrounding airframe. The fire seal's prime function is to provide a fire wall, preventing fire ingress and spread into the surrounding aircraft body. This seal interface provides valuable time for the aircraft's systems to contain and extinguish the fire and for passengers and crew to land safely and disembark," says Smith.

Military requirements generate new civilian applications

"Where the seal includes an air-filled cavity, meaning there are, in effect, two walls: the flame side of the seal will form a char of rigid ash that prevents some of the heat from passing," explains Smith. "We have made seals of this kind for many years. The military, however, required a single-wall component. This need for an advanced military solution led us to develop a range of today's fire seals for both civilian and military applications."

Material bridges conflicting demands

The development of the fire seal is filled with paradoxes. It needs to be flexible to accommodate thermal changes. Remain rigid enough to retain structural integrity to prevent collapsing or ballooning of the seal during pressure changes. Thin as possible to keep weight to a minimum but thick enough to contain the fire and meet the stringent fire test specifications. Advanced materials know-how helps bridge these conflicting demands.

77 The fire seal's prime function is to provide a fire wall

"The thickness of the seal has a sizeable effect on fire resistance. Whilst at the same time, we need a thin and light seal. In today's fire seal, the material allows a relatively thin product. It combines silicon and fabric in a compact seal," says Shephard.

The challenge – increased air time

With an increasing number of aircraft using the same airports, every measure is made to shorten ground time.

"One of our key challenges was to develop a fire seal which was easy to replace. We have achieved this by creating a split fire seal which meets all the functional and fire requirements of traditional seals but which is simple to dismantle and replace, significantly improving turn-around time," says Smith.

Continuous development

"There is no generic fire seal. Fire seals are specifically designed for each application and aperture geometry according to our customers' technical requirements. These mainly involve the dimensions of the space to be filled in joining the two parts and the temperatures, chemicals, loads and movements the seal must cope with," says Smith.

"Data-based 3D modeling is behind all our development. The process is carried out with computers until we are confident the concept will work. We then produce a typical sample for final laboratory tests. The fire seal must pass a fire and vibration test in a simulated sample of the aircraft," Smith concludes.



PROTECT

Solutions protecting against movements in the ground

Protecting structures such as bridges, tunnels or rail lines from movement and vibration is a growing business due to increased urbanization and infrastructure construction. Dirk Jan van Waardhuizen, at Trelleborg Bakker in the Netherlands, tells us more about bridge bearings.

Trelleborg's bridge bearings mainly absorb displacements caused by traffic, temperature variation, and shrinkage in construction materials.

"This is the main purpose of elastomer bearings. We protect structures from damage caused by movements in the ground or in the structure itself," van Waardhuizen explains.

Absorbing seismic waves

"The critical factor for our elastomer bearings is their shearing capacity. With regard to seismic movements, it is simply a matter of size. We can make a bearing of 1.5 m² with a height of 500 mm that should be able to absorb movements of 500 mm in all directions.

Normally, we

handle much smaller movements caused by temperature, wind loads, traffic and so on," says van Waardhuizen.

Bearings from 900 kg to 200 grams in one project

In 2007, the Netherlands will be connected to the European high-speed rail network with trains running at 300 kilometers per hour. Trelleborg has supplied the largest and smallest elastomer bearings for the Dutch lines.

"We are supplying 48 sliding elastomer bearings, of 900 kilos each for the bridge over the Hollandsch Diep," says van Waardhuizen. "We have also delivered 130,000 vibration-insulation bearings of 200 grams each for noise-reduction screens along the tracks."

Infinite possibilities

"We must identify the minimum dimensions for the best load/deflection combination. Our rubber can take a very high load and remain very soft horizontally. The possibilities are infinite," says van Waardhuizen. "Other technologies include mechanical bearings with sliding surfaces and steel rollers, but

these are more vulnerable to wear and corrosion. Elastomer bearings do not wear and suf-

fer very little fatigue over time. They can stay maintenance free for 25 to 30 years."

The skill of our employees is our best tool

"The challenge lies in each project being new. We engineer solutions according to specifications and then cooperate closely with the customer to find the best solution for each new project. We use standard spread sheets, CAD-design, 3D-design, finite element design – whatever is needed. After production, we place the bearings in a test rig to simulate the forces and movements of, for example, a bridge," says van Waardhuizen. "But, the main tool is the skill of our employees."

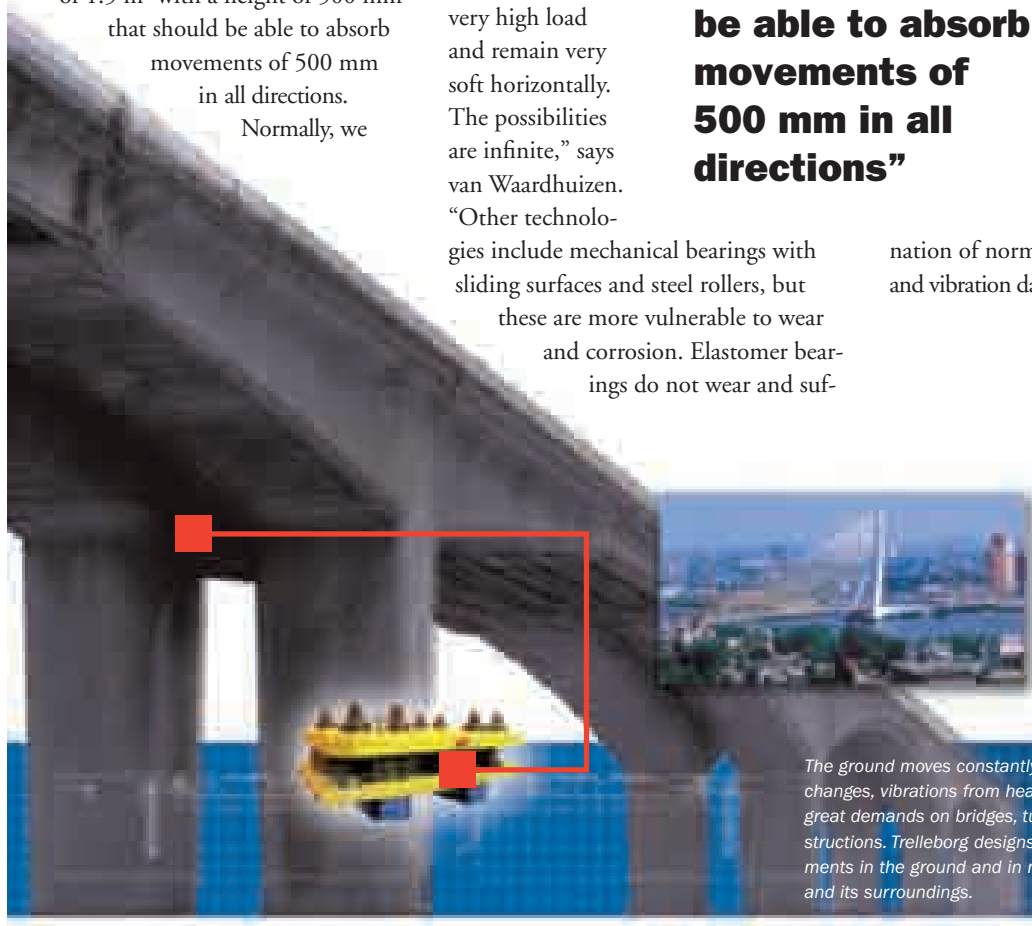
Constantly developing new ideas

"At the moment, we are working on sliding bearings. These are laminated, with the top surface in contact with a polished sliding plate. We try to find the best

metal inserts for these surfaces for the lowest friction and longest product life," says van Waardhuizen. "In the not too distant future there will probably also be a need for a combi-

nation of normal movement damping and vibration damping in the same product.

77 We can make a bearing that should be able to absorb movements of 500 mm in all directions"



The ground moves constantly due to seismic activity, temperature changes, vibrations from heavy traffic and other causes. This places great demands on bridges, tunnels and other infrastructure constructions. Trelleborg designs solutions that compensate for movements in the ground and in materials. This protects the structure and its surroundings.

DAMP

Designed solutions to damp vibrations and noise

Noise and vibration harshness (NVH) systems are the unsung heroes of any vehicle. They are crucial for driver and passenger comfort and are a prioritized issue for the global automotive industry. These systems, providing comfort, safety and durability, are discussed here by Manfred Hoffman from Trelleborg's automotive research center in Germany and Brian Sheehy from the US development center.

Fuel prices and comfort

"Twenty years ago, antivibration systems were little more than pieces of rubber bonded to metal. Today, environmental concerns play a role in the development of new engines, demanding entirely new antivibration solutions. About 50 per cent of all cars in western Europe are diesel driven, a proportion that will increase with higher fuel prices. The US and Japan prefer hybrid and fuel-cell technology to reduce emissions," says Hoffman.

"We are also witnessing an increasing in diesel engines in the US," adds Sheehy. "The Chinese car industry is also interesting, and we expect increasing demand for comfort there too."

Solving today's problem

"Our new hydromount is firm enough to absorb the shock of a cold start and soft enough to perform well under normal diesel running conditions. New active technology with electronics will auto-

matically adjust damping properties, providing a quieter ride."

"Active hydromounts and switchable mounts are sophisticated systems, mainly for diesel engines. In the US, to save fuel, engines are being introduced that can vary the number of cylinders in use. Switchable mounts adjust damping from the needs of eight cylinders to those of four," says Hoffman.

With the rapid development of modern diesel and gasoline engines, engine-compartment temperatures have risen. This places great demands on the materials used in Trelleborg's antivibration solutions.

"We use silicone-coated fabric to combine flexibility and rigidity, temperature resistance and minimal creep," says Hoffman.

Hybrids today, fuel cells tomorrow

Hybrid vehicles, part gasoline, part fuel cell or electric motor, are another answer to the emissions problem. This entails increasing demand for switchable mounts that can adjust to the different vibration characteristics of the engines involved.

"With quieter fuel-cell engine, noises from the suspension, tires and chassis will be more audible and require damping" says Sheehy.

Close links to customers

"Our technical centers on all continents are busy identifying new trends. A new solution takes five to seven years. It often

begins with customers providing us with benchmark data on which to base our work. After about two years, we have a concept. We then have four years to secure contracts for a new vehicle," says Hoffman.

"In the US, we are currently more focused on development within a shorter time frame. Together with customers, we

build a synthetic model and simulate components using computers. We then use 3D CAD to solve strength, durability and other issues. After that,

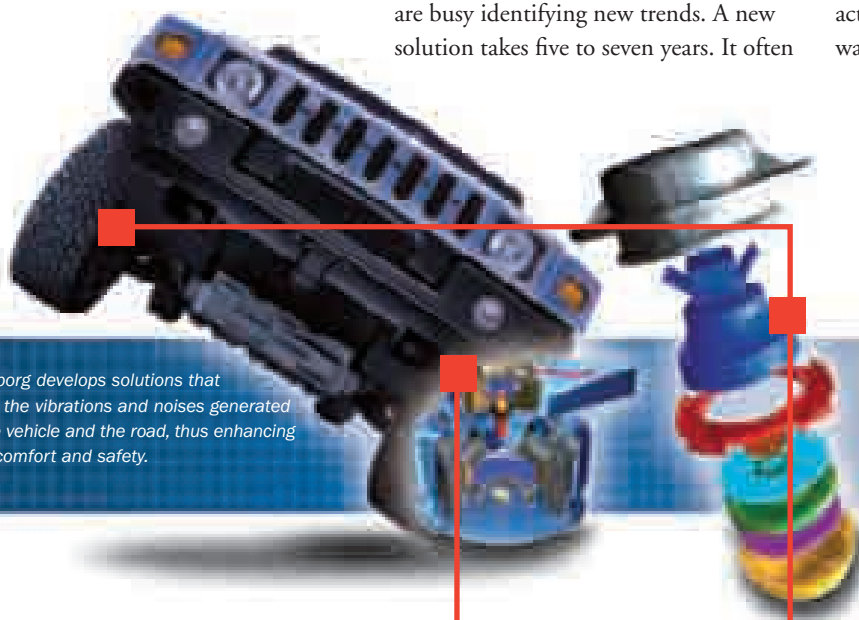
we build prototypes for validation in experimental vehicles in anechoic chambers and on the open road," says Sheehy.

Working towards the future

The next step in antivibration is "active force cancellation" whereby vibrations are canceled without traditional damping materials. A control box is located near the vibration source and creates a disturbance of identical or similar frequency, but out of phase with the source. These synthetic vibrations reduce or cancel the original vibration. It is possible to eliminate vibrations or to enhance preferred vibrations, creating, for example, a sporty engine sound. "We are already working on an active force cancellation solution for a specific high-performance car. The preferred sound is created by reducing unwanted noise and enhancing favored noise. We actually design the noise the customer wants," Hoffman concludes.

22 We actually design the noise the customer wants"

Trelleborg develops solutions that damp the vibrations and noises generated by the vehicle and the road, thus enhancing both comfort and safety.



SEAL
DAMP
PROTECT

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. This Policy states the purpose and organization of financial activities, the division of responsibilities and guidelines for managing the risks described below. The Board's Finance Committee evaluates the Financial Policy and proposes changes annually, or more frequently if necessary, after which the Policy is 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 per cent of the Group's net sales. A syndicated loan, raised in March 2005, forms the foundation of the Group's medium and long-term financing. This loan is divided into two tranches, one tranche amounting to EUR 750 M (SEK 7,079 M) and the second tranche amounting to USD 600 M (SEK 4,772 M), and matures in March 2010. The tenure of this loan can be extended to a maximum of 2012 given the consent of the Group's banks. The loan is also complemented by two bond loans, one of SEK 130 M that matures in June 2007 and one of EUR 40 M (SEK 378 M) that matures in November 2011. At year-end 2005, Trelleborg had utilized SEK 5,718 M of these total credit facilities of SEK 12,359 M. See chart on page 39.

In addition to these non-current credit facilities, Trelleborg has a commercial paper program that was prepared in June 2005. This program provides the opportunity to issue commercial paper to a maximum amount of SEK 2,000 M or the equivalent value in EUR. The tenure of the certificates is a maximum of 12 months. At year-end 2005, approximately SEK 1,574 M of the program had been

utilized. In addition, the Group has contracted current credit facilities (due for payment within 1 year) for its borrowing needs in an amount of SEK 1,393 M. The Group also has current, non-committed credit lines, which amounted to about SEK 2,100 M at the end of 2005.

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 stipulates that 100 per cent of contracted project flows exceeding the amount of EUR 1 M shall be hedged. Hedging of forecast flows is permitted up to a volume corresponding to a maximum of 100 per cent of flows over a period of 12 months. Not more than 100 per cent of invoiced flows may be hedged. 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 forecast net exposure amounted during December 2005 to SEK 1,965 M*. More than 95 per cent 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 approximately SEK 559 M. The Group's next largest exposures are in the euro area, corresponding to approximately SEK 541 M, Sri Lanka, corresponding to approximately SEK 304 M, and the UK, with about SEK 155 M.

About 51 per cent (48) of the annual net transaction exposure was hedged at year-end 2005. 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 state-

ments 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 shall not normally hedge this risk.

Upon translation of the income statements of foreign subsidiaries, exchange rate movements affected the Group's operating earnings for the year by a total of SEK 44 M (neg: 16) and net profit positively by approximately SEK 28 M (2).

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 affect the consolidated balance sheet. In accordance with Trelleborg's Financial Policy, 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 2005, the Group's net investments in foreign subsidiaries and associated companies amounted to approximately SEK 12,329 M (9,600). The increase in the Group's net level of investment compared with 2004 is due primarily to translation effects that occurred as a result of the weakening of the Swedish krona and profits generated from the foreign operations. Translation differences in 2005 amounted to SEK 810 M (neg: 192), calculated after hedging through loans and derivative instruments with deductions for calculated taxes.

At year-end 2005, 29 per cent (43) of net investments had been hedged. A specification by currency can be found in the table overleaf.

Interest-rate risks

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

*Of which, approximately SEK 605 M pertains to EUR exposure in Denmark and Malta, where the currency is tied to EUR.

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/expenses 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 cash and cash equivalents may be fixed for a maximum of two years for amounts not exceeding SEK 2,000 M.

As per December 31, 2005, the Group's interest-bearing borrowing totaled SEK 7,997 M (7,460). The average remaining fixed-interest term for the loans was approximately 9 months (12 months), including derivatives. Outstanding investments at year-end amounted to SEK 761 M (509), with an average period of fixed interest of approximately half a month (1 month). The Group's interest-bearing net liabilities amounted to SEK 7,236 M (6,951), with an average remaining period of fixed interest of about 10 months (13 months). Based on the level of net debt at January 1, 2006, 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 approximately SEK 34 M in net financial income for 2006. 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 7,324 M. Net interest items as a percentage of average net liabilities amounted to 2.75 per cent.

Outstanding interest-bearing investments are reported in Notes 17, 23 and 25. The Group's outstanding interest-bearing borrowing and its distribution by currency, interest rates and fixed-interest terms are reported in Note 29 on page 72.

Credit risks

Credit risk within financial operations arises both when investing cash and cash equivalents and 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-term and non-current financing.

The Group's cash and cash equivalents are managed primarily at the Group level and are invested in the money and capital markets. At year-end, cash and cash equivalents amounted to SEK 663 M (475).

During 2005, no credit losses arose from the investment of cash and cash equivalents or from trading with counterparties in financial transactions.

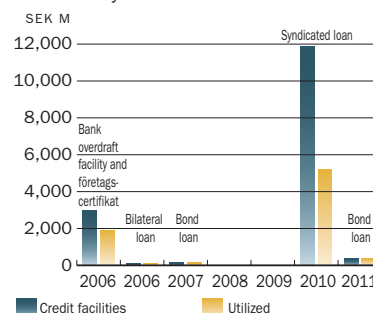
Group Treasury

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.

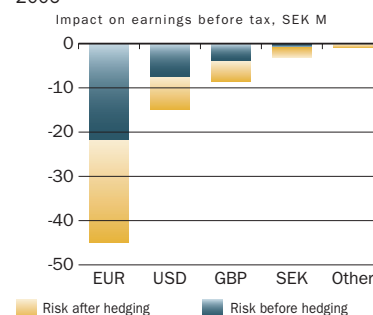
Such trading generated a profit during the year. Proprietary trading also contributes to an important information

flow and market intelligence, factors that are beneficial to the management of the Group's financial risks.

Loans granted and utilized credit facilities with maturity structure



Interest-rate risk (1-per cent increase in interest rate) 2006



Translation effect on income statement 2005, Currency effect on income statement 2005, SEK M

Currency	Net sales	EBIT	Net result
EUR	187	15	8
GBP	22	0	-1
USD	68	2	1
Other	292	27	20
Total	569	44	28

Sensitivity analysis of translation exposure in the balance sheet, before taking possible tax effect into account.

Currency	Net investment, SEK M	Hedging, SEK M	Hedging, per cent	Exposure, SEK M	Effect on equity, SEK M, 1 per cent stronger
EUR	5,826	1,971	34	3,855	-39
GBP	1,189	205	17	984	-10
USD	2,470	1,153	47	1,317	-13
Other	2,844	248	9	2,596	-26
Total	12,329	3,577	29	8,752	-88

The Group's risk management is led by the central risk management function. This function is part of Group Legal Affairs, as is the Group's central environment function. With an integrated organization, Trelleborg is able to simply and clearly synchronize risk management and take advantage of synergies and coordination of loss-prevention activities, risk management in general and managing insurance solutions.

During the year, development in coordinating risk management continued in additional risk areas, including safety issues in the internal and external environment, the handling of legal liability risks and risks arising as a result of legislation, for example, in the area of competition law and regulations against discrimination.

A number of procedures are being conducted within the parameters of the Group's risk assessment system, Blue Grading, to continuously measure and evaluate the manner in which Trelleborg manages risks against the background of Group-wide targets and guidelines.

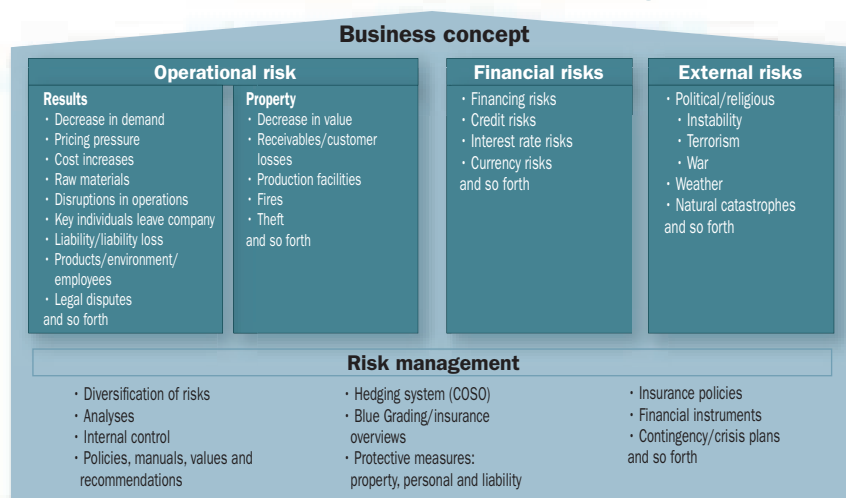
Risk management supports the comprehensive corporate governance work relating to the control and management of operational risks.

Risks at all levels of the organization are handled under the guidance and support of the central risk management function. The Group applies an all-round approach to risk, supported by policies and manuals, which are binding, and recommendations providing guidelines and assistance for the Group's operations and employees.

At the first Board meeting of the year, the Group's General Counsel presents an account of significant known risks, risk-related projects in progress and insurance cover. In addition, the Board's Audit Committee continually discusses any changes that take place during the year, and keeps the Board regularly updated. The risk situation is then a standing agenda item for discussion at all Group management meetings with Senior Vice Presidents and Business Area Presidents.

Trelleborg has a well established Risk Management Forum, within which representatives of all five business areas meet five times a year to discuss policies, reviews and control of risk and safety

Business means risks to manage



Operational, financial and external risks are a natural element of any business operation. The organization must manage these risks in a successful manner, that is, to limit or prevent the risks from affecting the operations or to limit the damage that may occur should these risks nevertheless impact operations.

matters and to solve specific issues related to risk and insurance. This forum is led by the General Counsel together with the Group's Risk Manager. The Group's Environment Manager is also a member of this forum. Risk management has also been pursued at local/regional levels by "risk hubs" in Germany, France, Italy, Spain, Scandinavia, the UK and the US since 2004. These provide a direct presence in a larger geographic area and enhanced competence in a variety of legal systems and their particular risk issues. Each risk hub develops specialist expertise in one or two specific risk areas. This expertise is then disseminated throughout the Group.

Property and liability risk

Property risks are connected to Trelleborg's property, such as its plants. An established risk inspection program has been in place for some years, whereby the Group's production facilities are inspected according to established, Group-wide recommendations. Insurance expenses are allocated based on how well the facility fulfills these recommendations. In addition to this, inspections of all facilities are conducted by the Group's insurer, Factory Mutual.

Liability risks are primarily connected with risks in the Group's operations in relation to external parties or contractual partners, risks for personal injury or damage to property related to products sold, or other risks stemming from legis-

lation and regulations. A structured review of the Group's liability risks, known as a liability loss prevention program, was introduced during the year. The aim of the program is to systematically identify, assess the probability of and quantify existing liability risks to determine the best method of preventing risks from developing into losses. The framework of the program included terms and conditions applied in contracts, inherent product risks, liability as a result of laws and regulations, and so forth.

Human capital

Risks in relation to human capital involve, among other things, competence supply and the working environment. Trelleborg strives to be an attractive employer. During the year, the Group further refined its procedures for making maximum use of its internal employee resources to ensure the level of competence in the Group. See pages 42-45 for further details.

In 2005, the Safety@Work project, which focuses on work environment and related risks, was implemented in its entirety in France, Italy, the UK and the US. The program involves cross-inspecting and cross-evaluating risks between companies and business areas in order to best utilize and spread existing knowledge about the work environment within the Group.

Insurance

To secure well-balanced insurance cover and attain financial economies of scale, instruments such as Group-wide, non-life and indemnity insurance, travel insurance and transport insurance are employed. The insurance program is being successively adapted in line with the development and implementation of the loss prevention program in order that specific risks and insured risks are balanced in the best possible manner.

Insurance premiums are allocated internally to reward continual improvements in risk management. The safety measures and level of protection at each individual unit is reflected in the premiums charged. This model has been utilized for a long period of time for property insurance. In 2005 it was also introduced for work-related injury insurance in a number of countries. The intention is to introduce the same model for indemnity insurance during 2006, in line with the development of work with loss loss-prevention measures for this area.

Product risks

Most of the Group's products entail very limited risks in their use. However, the Group also sells products and systems for certain security-critical environments. Trelleborg conducts extensive safety efforts, with systematic analysis and assessment, for products manufactured for particularly demanding environments or that otherwise entail elevated risks. We make assessments and take remedial actions continuously for risks associated with new types of products, new applications and operations in new countries.

Environmental risks

Environmental risks relate to the risk that Trelleborg's operations may cause damage to the atmosphere, water, ground and biological processes. The Group's central environment function is part of Group Legal Affairs and works closely with the central risk management function. The aim is to further broaden and deepen risk management and take advantage of the synergies found in the management of legal risks and property and liability risks, and environmental risks. A forum for environmental issues

was established during the year with representatives from the Group's five business areas under the supervision of the Group's Environment Manager. During the year, the central Environmental Affairs department was strengthened and each business area also appointed at least one representative with overall responsibility for the coordination of environmental issues. As from 2006, information pertaining to sustainability will be presented in accordance with the structure determined by the Global Reporting Initiative. See also pages 42-45.

Raw material risks

Raw material risks relate to the supply and pricing of goods necessary for production. The Trelleborg Group purchases large volumes of prefabricated metal components and rubber raw materials. The ratio is approximately 60 per cent metal raw materials and 40 per cent 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. This is primarily due to the fact that natural rubber is traded in securities markets in Asia and a large portion of this trade is conducted on the basis of speculation. To secure a certain price level, natural rubber supplies can be hedged under forward contracts over a relatively long period of time.

Prices for most synthetic rubber producers are related to the global economy and the price of crude oil, and therefore increased during 2005. The markets for synthetic rubber are often regional and can show differing trends due to volume imbalances. Asia and North America have had stronger growth, with the consequence that prices have increased more in these countries than in Europe. With its global presence, Trelleborg is able, in certain cases, to balance these regional price differences by internal deliveries. In the same manner, currency effects arising from the differences in USD and EUR can be handled.

To limit the negative effects of increases in raw material prices, the Trelleborg Group maintains stable and long-term relations with the most competitive suppliers worldwide. Not only does this

provide volume discounts, but it also gives access to market information and developments in technology.

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. Purchases in close cooperation with development units result in lower costs in the form of local spot purchases and alternative materials.

Exposure regarding steel-related raw materials mainly affects Trelleborg Automotive. Normally, price fluctuations for steel are absorbed by the Group's suppliers. In 2005, however, price increases continued to be substantial and could not be fully managed in this manner. Consequently, during the year, Trelleborg Automotive was adversely affected by price rises for both polymer-based raw materials and input goods containing steel. Efficiency-enhancement measures and price rises partially to offset the increase in raw materials prices.

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 risk for such

No Group company is involved in a legal case or other dispute where the outcome may be assumed to have more than a marginal impact on the Group's earnings and financial position as a whole. The legal disputes and risk for such that may arise from time to time are reported regularly to Group Legal Affairs for analysis and review. In cases that arise, proceedings are handled by a qualified legal representative under the supervision of Group Legal Affairs. The Group's General Counsel provides information regarding legal disputes to the Board on an ongoing basis.

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.

Vision and objectives

Trelleborg's sustainability work is an integrated part of the Group's business model and contributes to the fulfillment of the Group's objectives. Sustainable business development includes social, environmental and financial aspects.

Trelleborg's basic values: Customer Focus, Performance, Innovation and Responsibility are guiding principles for the Group's sustainability activities. These values, combined with the Group's Code of Conduct and accompanying policies, including the Environment Policy, stipulate Trelleborg's fundamental outlook as a responsible company and also create a uniform body of values for employees worldwide.

Trelleborg's operations shall be conducted in accordance with the following:

- The Group's Code of Conduct, policies and overall values.
- Legislative requirements and other requirements, for example from customers and neighbors.
- The requirements of the ISO 14001 Environmental Management Standard with external, third-party audits of the environmental management system.

In 2005, work was initiated to review the Group's Environment Policy, entailing that:

- All of the Group's units operating within production or production development shall implement an environmental management system in accordance with ISO 14001. Recently acquired facilities shall implement this system within three years of the acquisition.
- We shall increase the efficiency of our resources by reducing specific consumption of energy and raw materials and increasing recycling of waste.
- We shall integrate environmental and health aspects in our product development work and work to phase out

substances that are hazardous to the health and environment from our production.

- We shall involve our employees in sustainability work.
- We shall provide our stakeholders with open and accessible information concerning the results of our sustainability work, and consider their opinions.

In addition to these commitments, quantifiable targets will be assigned at Group and business area level and will be followed up annually from 2006.

Besides these central objectives and within the parameters of ISO 14001, each plant has its own specifically assigned environmental targets, with annual reviews of results.

Control of environmental and sustainability aspects

Direct responsibility for issues relating to the environment, health and safety rests with the person responsible at each facility. Every plant has an environmental coordinator and persons who are responsible for health and safety.

The central Group function, Environment, which is part of Group Legal, is responsible for development, coordination and training in environment issues and also works closely with the Personnel and Risk Management functions in issues related to health and safety.

During 2005, there was a focus on heightened integration and transfer of knowledge in environmental issues between different parts of the Group. Formal networks were established at regional levels and at business area level. Each business area has appointed an environment coordinator. These coordinators are part of a newly formed Group-wide Environment Forum, together with the central Group function, Environment. The task of the Forum is to identify and initiate Group-wide projects, spread the implementation of positive examples and

follow up the Group's Environment Policy. The Group's intranet has a comprehensive section on sustainability development which is used for conveying information.

An important cornerstone in Trelleborg's sustainability activities is the environmental management standard ISO 14001. At year-end 2005, 89 of 109 plants had been certified. A total of four plants underwent certification during 2005.

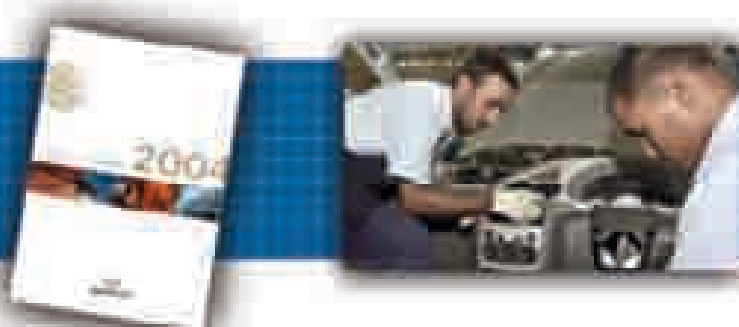
Many facilities also implemented the Occupational Health and Safety Assessment Specification, OHSAS 18000. A total of five plants, located in Denmark, France and the UK, are now working in accordance with this system.

Environmental aspects

At the end of 2005, the Trelleborg Group had 109 production units, located in Europe (78), Asia (7), North and South America (23) and Australia (1). The primary environmental aspects of the operations are the consumption of energy and raw materials (natural rubber, fossil fuels and chemical products), emissions to air (solvents, vulcanizing fumes, dust and odorous substances), noise and waste. In addition, the environment is affected by transports and by historical contamination of soil and groundwater.

The Group's production plants vary considerably, both in terms of size and the processes they operate. A total of 89 plants have permits in accordance with the local legislation. All of the production facilities in Sweden, a total of 18 plants, require permits or are subject to mandatory reporting. The permit requirements impose conditions for emissions to air and water and for waste management. Each year, the Swedish plants subject to permits report emissions data and the extent of compliance with the permit conditions in separate environmental reports to the local authorities. Similar reports are submitted to the authorities

Trelleborg's sustainability work has won several awards, including the 2004 Annual Report, for the second year in a row, being one of five companies' reports commended with a "best practice" citation in Deloitte's annual survey of Swedish listed companies' voluntary reporting.



in a number of other countries. Existing permits were updated and applications for new permits submitted in respect of 40 plants, 4 of which are located in Sweden.

Energy and materials

The Group's total energy consumption improved by 13 per cent relative to sales compared with 2004. The primary reason for this is a number of energy-saving measures that were taken at local level.

The Group's most important raw materials are natural and synthetic rubber. During 2005, Trelleborg consumed a total of 168,000 tons of rubber, of which 44 per cent was natural rubber.

A decision regarding the EU's new chemicals legislation, REACH (Registration, Evaluation and Authorization of Chemicals) is expected in 2006. Trelleborg will primarily be affected indirectly in its capacity as a user of the chemicals that are utilized in our products. A more detailed analysis of the effects of REACH will be performed in 2006, with the aim of producing Group-wide guidelines for the assessment and utilization of chemicals.

Emissions and waste

The most significant emissions to air comprise VOC, 1,686 tons (1819), CO₂, 133,400 tons (141,500), NO_x, 112 tons (145) and SO₂, 240 tons (397). The three latter emissions are related to energy consumption. Energy-saving measures and changes of fuel type at several plants, had a beneficial effect on carbon dioxide emissions. The total reduction relative to sales was 11 per cent compared with 2004. Two of the Group's production facilities are covered by the European system for trading in emissions rights for carbon dioxide, although only to a very limited extent.

The Group's total amount of waste was 62,350 tons (62,940), a decrease of 6 per cent relative to sales.

A total of 8 plants in Europe are affected by the forthcoming EU requirements for reduced emissions of volatile

Year	Energy consumption		CO ₂ emissions		VOC emissions		Amounts of waste	
	GWh	GWh/ sales SEK M	Tons	Tons/ sales SEK M	Tons	Tons/ sales SEK M	Tons	Tons/ sales SEK M
2001	1,135	0.06	146,360	7.8	1,528	0.08	43,390	2.3
2002	1,164	0.07	129,000	7.3	1,735	0.1	47,360	2.7
2003	1,263	0.07*	140,500	7.8*	1,517	0.08*	48,415	2.7*
2004	1,382	0.06	141,500	6.2	1,819	0.08	62,940	2.7
2005	1,273	0.05	133,400	5.5	1,686	0.07	62,350	2.6

*The 2003 Sustainability Report includes data for the full year for Trelleborg Sealing Solutions while the financial accounts include only sales for the final quarter.

organic compounds (VOC) as from November 2007 and measures will be taken to decrease emission levels.

Compliance

Infractions of the conditions of permits or other environment or work environment legislation were reported at 17 plants. These infractions resulted in fines in five of these cases. Costs related to this amounted to approximately SEK 1.3 M in 2005.

Soil and/or groundwater contamination was detected at 23 Trelleborg plants. Sanitation work has begun or is being planned for 14 of these cases.

Social aspects

Work environment aspects – health and safety

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.

The Trelleborg Group's Safety@Work program focuses on the work safety and related risks. In 2005 the program was implemented in France, Italy, the UK and the US. The program will also be implemented out in 2006 in such countries as Belgium, Canada, the Czech Republic, Denmark, Germany, Malta, Mexico, Norway, the Netherlands, Poland, Slovakia, Spain, and Sweden.

The methodology and process of Safety@Work involve cross-auditing and cross-evaluating risks between companies and business areas in order to best utilize and spread existing knowledge about the

work environment within the Group. Among the aims of the project are:

- To continuously improve the work environment, and thereby safety, 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.

During 2005, 948 (1,057) work-related accidents resulting in more than one day's absence from work were registered. The most frequently occurring injuries are cuts and crushing injuries, as well as injuries to muscles and joints.

Training and development

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.

A Group-wide Talent Management function was established to increase focus on the development of employees within the Group. During the year, four important development processes were identified: leadership development, performance/evaluation, competence/training planning and recruitment/succession planning.



In Swedish insurance company Folksam's climate index, with includes 250 listed companies in Sweden, Trelleborg received five stars out of five in 2005. In Folksam's compilation of Sustainable Swedish Companies of the Year (including Folksam's Climate Index, Equality Index and Health Index), Trelleborg was ranked 39 of 228 Swedish listed companies and came in fifth place in the category "other industries." Local Trelleborg companies topped the lists in several Swedish counties (Västerbotten, Örebro, Jönköping and Kalmar).

Average number of employees 2005 – 2003

Distribution by country	2005	2004	2003
France	2,896	2,948	2,753
Sweden	2,451	2,558	2,082
UK	2,190	2,404	1,448
US	2,548	2,364	1,910
Spain	1,358	1,402	1,349
Italy	1,287	1,281	735
Germany	1,283	1,279	945
Malta	719	781	192
Brazil	833	748	659
China	370	603	583
Rest of Europe	3,066	2,767	1,301
Rest of North and South America	958	963	482
Other regions	1,735	1,577	1,416
Total	21,694	21,675	15,855*
Men	16,246	16,279	12,265
Women	5,448	5,396	3,590

* At the end of the year, the Trelleborg Group had approximately 20,000 employees.

Trelleborg has operations in some 40 countries and industrial plants in about 25 countries. Approximately 90 per cent of the Group's employees work outside Sweden.

The average number of employees increased during the year to 21,694 (21,675). The proportion of women was 25 per cent (25). Pay and other compensation amounted to SEK 5,599 M (5,606).

The average number of employees in Sweden amounted to 2,451 (2,558), of whom 31 per cent were women (33). The average number of employees in other EU countries was 12,280 (12,417), of whom 25 per cent were women (23). The average number of employees in the US was 2,548 (2,364), of whom 32 per cent were women (32).

The personnel turnover (excluding layoffs and retirees) varies between different countries and plants and often reflects the local manpower situation. The personnel turnover during 2005 was 8 per cent. The majority of plants report a personnel turnover of less than 5 per cent per year.

Trelleborg has a well-established manager-supply process that serves to define competence needs in the short and non-current 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 recruitment is assigned a high priority within the Group as a means for preserving continuity and retaining professional competence. The target is a 75-per cent internal recruitment rate. The current rate is estimated to be between 60 and 65 per cent.

An important tool with the aim of creating transparency and providing greater opportunities for job rotation and development, both at the individual level and for the Group as a whole, is the Trelleborg Internal Job Market, whereby all vacancies are advertised via the Group Intranet. 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. The average number of training hours per employee at the Group's production units (85 per cent of the total number of employees) in 2005 was 12.7 hours. In addition to specific training courses tailored to individual employees' work duties, competence development is 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. Approximately 200 persons participated in the Trelleborg Academy program during the year.

The Trelleborg International Management Program (TIMP) is available for managers. The program includes company knowledge, business skills, communica-

tion, leadership and understanding of cultural differences. TIMP is a 12-day program divided into three sessions. During 2005, 41 (81) participants, including 7 (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 16 (18) participants during 2005.

Equality and diversity

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.

Trelleborg was ranked 102 of 242 Swedish listed companies in Folksam's Equality Index in 2005. Trelleborg received the grade of 1.77 in the industry category "other industries", just above the average rating of 1.53. More than 400 women hold senior or mid-level management positions at Trelleborg's production facilities.

Social and human rights/Code of Conduct

The Group's fundamental values and Code of Conduct are a part of our culture, and are intended to support us in our daily decisions and actions. Implementation of the Code of Conduct is a long-term process, and during the past three years efforts have included describing, explaining and disseminating the values and Code of Conduct to our employees. This has taken place via the Group's intranet, at meetings and in internal and external publications. The Code of Conduct has been translated into ten languages.

There were indications during the year that this policy has not been implemented to a satisfactory extent, and that the application of the Code of Conduct requires additional efforts in the form of communication and discussions. Greater

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. Work during the year included environment strategies for roofing products.

Other examples include a learning partnership with the Lund University School of Economics and Management, which involved financing two postgraduate appointments.



importance is attached to a Code of Conduct that is understood, accepted and adhered to due to Trelleborg's geographic growth. Therefore, Trelleborg will revise its Code of Conduct in 2006 and will subsequently implement it more forcefully, and follow-ups will take place in 2007.

No infractions of the Code regarding involuntary or child labor were reported during the year.

In 2005, the Group adopted a specific Whistle-blower Policy allowing every employee, without fear of repercussions and regardless of their position or the nature of the matter, to report any suspected improprieties. Such reports can be made anonymously. A policy concerning competition issues was adopted and an accompanying Group-wide training program will be implemented in 2006.

Trade union relations and supporting change processes

Trelleborg's policy is to recognize trade union locals, if so requested by employees. More than 50 per cent of Trelleborg's employees at the Group's production facilities have trade union representation.

Drawn-out negotiations, involving some conflicts, took place at one of Trelleborg's factories between 2004 and 2005. A final resolution to the conflict was reached and the trade unions and company management now have a good dialogue. Collective agreements were introduced. This case was highlighted in a study by Swedwatch, the Swedish non-governmental organization that writes reports on Swedish business relations with developing countries. Swedwatch gave Trelleborg a number of recommendations and the organization's opinions have provided valuable assistance in our continued work.

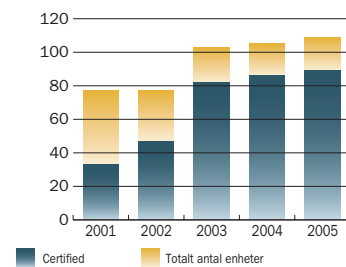
Continual change processes associated with acquisitions, divestments and rationalizations take place within Trelleborg. A key task is to create conditions for changes and, while exercising respect for

every employee, to reduce uncertainty and insecurity while simultaneously safeguarding the company's continued competitiveness. Approximately 500 employees, primarily in the US, Sweden and the UK, were affected by restructuring during the year.

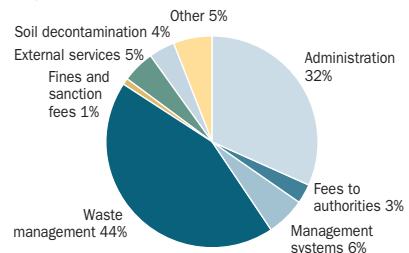
Sustainability-related expenses and expenditures

Environment- and work-environment-related costs amounted to sek 101 m (84), including costs for waste management and soil decontamination. Reported savings associated with environment- and work-environment-related improvements amounted to sek 21 (21) m.

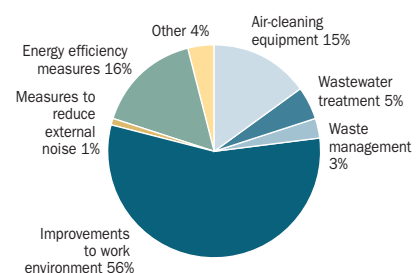
Number of plants with ISO 14001 certification



Distribution of sustainability-related expenses, SEK M



Environment-related investments



During 2005, the Group invested a total of SEK 70 M (82) in environment- and work-environment-related improvements.

Sustainability report in new format

As from this year, the separate sustainability report will be discontinued and, instead, more detailed information will be provided on the Internet. Another new feature is that Trelleborg has decided to follow the Global Reporting Initiative's (GRI) structure for sustainability reporting. Visit www.trelleborg.com for access to all sustainability-related information, an interactive information database and a GRI index.

Sustainability-related information for 2005 was gathered from the Group's production facilities in accordance with the Group's standard for environmental reporting. The manager of each facility is responsible for quality assurance for environmental parameters. The Group Environmental Affairs function compiles and processes the information. The environmental performance data are compared with previous years' performance data for each facility and with data gathered for facilities with similar production. The accounting principles are described in detail on www.trelleborg.com/sustainability.

For a number of years, Trelleborg has sponsored the Young Share Investors training program in investing shares and managing private finances, aimed at 16-19-year-olds. The mentor class SPIE3 at Malmö Borgarskola was awarded the prize for Sweden's best class in share knowledge in 2005.

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The Parent Company, Trelleborg AB (publ) is a limited-liability company with a registered office in Trelleborg Sweden.

Basis of preparation

The Trelleborg Group's financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and the interpretations issued by the Financial Reporting Interpretations Committee (IFRIC), endorsed by the Commission of the European Communities for application within the EU. This is the first complete financial statement prepared by the company in accordance with IFRS. The transition is reported in accordance with IFRS 1 "First-time adoption of International Financial Reporting Standards," which requires that comparative data for 2004 also be reported in accordance with IFRS, with the exception of IAS 39 Financial Instruments: Recognition and Measurement, which is applied effective January 1, 2005. In the Group's five-year summary, data up to 2003 have not been restated. In addition, the Swedish Financial Accounting Standards Council's recommendation RR 30 Supplementary Accounting Regulations for Groups has been applied.

Note 1 details how the transition to IFRS has affected the Group's earnings and financial position.

Items included in the financial statements of the units within the Group are measured in the currency used in the financial environment in which each company primarily operates (functional currency). In the consolidated accounts, SEK is used, which is the functional and reporting currency of the Parent Company.

The Parent Company applies the same accounting policies as the Group except in the instances stated below under "Parent Company's accounting policies." The differences that arise between the Parent Company and the Group's accounting policies are attributable to the limited opportunities

for the application of IFRS in the Parent Company, as requested by Swedish Annual Accounts Act.

Consolidated accounts

Group

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 holds more than 50 per cent of the voting rights of the shares or otherwise has the right to determine financial and operational strategies in the company.

All subsidiaries are consolidated in accordance with the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given as payment, liabilities incurred or assumed on the date of acquisition, plus any costs directly attributed to the acquisition. The purchase method of accounting entails that the fair value of acquired identifiable net assets, assumed liabilities and contingent liabilities, regardless of the extent of any minority interests, is established at the date of acquisition. The excess comprising the difference between the acquisition cost and the fair value of acquired identifiable net assets is recorded as goodwill. If the acquisition cost is less than the fair value of the acquired net assets, the difference is recognized directly in the income statement.

Profit generated by companies acquired during the financial year is recognized in the consolidated accounts from the date when control was transferred to the Group.

Profit generated by companies divested during the financial year is recognized in the consolidated accounts up to and including the date when control ceased.

All inter-company transactions – expenses, revenues, receivables, liabilities and unrealized gains/losses – have been eliminated. Unrealized losses are also eliminated unless the transaction evidences the need for impairment to be recognized in the transferred asset.

Associated companies

Associated companies are companies in which the Parent Company directly or indirectly has a long-term holding and a significant but not a controlling influence corresponding to between 20 and 50 per cent of the voting rights.

Investments in associated companies are reported in accordance with the equity method and are initially reported at cost.

The Group's share in the post-acquisition results of an associated company is recorded in the income statement under "Share of profit or loss in associated companies." Accumulated post-acquisition changes are recorded as changes in the carrying amount of the investment. When the Group's share in the losses of an associated company amount to, or exceed, the Group's investment in the associated company, including any unsecured receivables, the Group does not record further losses unless it has incurred obligations or made payments on behalf of the associated company. Any undertakings towards associated companies are recorded as provisions.

Unrealized gains on transactions between the Group and its associated companies are eliminated in proportion to the Group's participation in the associated company. Unrealized losses are also eliminated unless the transaction provides evidences of an impairment of the transferred asset.

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 earnings and financial positions of Group subsidiaries and associated companies (none of which use a hyper-inflation currency) are prepared in the functional currency of each company. In the consolidated accounts, these are translated to Swedish kronor (SEK), which is the functional and reporting currency of the Parent Company, in accordance with following:

Income and expenses in the income statements of subsidiaries are translated at

the average exchange rate, while assets and liabilities in the balance sheet are translated at the closing rate. Exchange rate differences arising from translation, and realized and unrealized gains or losses after tax on financial instruments designated as hedging of foreign net investments, do not affect consolidated profit but are recorded directly in shareholders' equity.

On divestment, the accumulated translation differences attributable to the divested unit, previously reported directly against shareholders' equity, are realized in the consolidated balance sheet in the same period as the gain or loss on the divestment.

Goodwill and adjustments in fair value arising in connection with the acquisition of foreign operations are treated as assets and liabilities of these operations and are translated at the closing rate.

Income tax

Income tax in the income statement includes both current tax and deferred tax. Income tax is recorded in the income statement except when an underlying transaction is recorded directly against equity, in which case the related tax effect is also recorded in equity. Current tax is tax payable or receivable for the current year. This also includes adjustment of current tax attributable to prior periods. Deferred tax is calculated using the liability method on all temporary differences that arise between the tax base of assets and liabilities and their carrying amount in the consolidated accounts. Deferred tax is calculated applying the tax rates and tax rules enacted or announced at the balance sheet date. Temporary differences arise in business combinations on the differences between the consolidated value of assets and liabilities and their tax bases. 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 it is unlikely that they will be reversed in the foreseeable future.

Deferred tax assets are recorded to the extent it is probable that they will result in lower tax payments in the future.

Minority interest

Minority interest in the Group's net profit is shown as a separate item at the bottom of the income statement. Minority interest in the equity of subsidiaries is disclosed as a separate item within the Group's equity.

Segment reporting

The Group's operations are managed and reported primarily by business area and secondarily by geographical segment. Segments are consolidated in accordance with the same policies as for the Group. Inter-company sales are conducted at arms length. For a description of the different segments, see the Board of Directors' report.

Primary segments

The Group's business areas comprise assets and operations supplying products that are exposed to risks and opportunities that differ for each business area. The Group is divided into five business areas: Trelleborg Automotive, Trelleborg Sealing Solutions, Trelleborg Engineered Systems, Trelleborg Wheel Systems and Trelleborg Building Systems.

Segment reporting for the business areas comprise income statement items to profits up to and including operating profit and also capital employed. Capital employed encompasses all property, plant and equipment, intangible assets and investments in associated companies, plan assets, inventories and operating receivables, less operating liabilities including pension liabilities.

The business areas are charged with Group-wide expenses amounting to 0.4 per cent of external sales, which does not affect reported cash flows.

Secondary segments

Geographical markets 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 geographical 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 these assets are physically located.

Other accounting and valuation policies

Non-current assets and non-current liabilities 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 and liabilities are measured at cost, unless otherwise indicated.

Revenue recognition

Revenues comprise the fair value of goods and services sold less VAT and discounts, and after the elimination of inter-company sales.

Revenues are recognized as follows:

Sales of goods:

Revenue from the sale of 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 ownership related nor exercises any real control. Net sales are recognized after deduction of VAT and adjusted for any discounts and exchange rate differences where sales are conducted in foreign currencies.

Contract and service assignments:

Revenue recognition is done using the percentage-of-completion method. Revenue is recognized on the basis of the stage of completion when it is probable that the company will obtain the financial benefits related to the assignment and a reliable calculation can be made. The stage of completion is determined on the basis of costs made in relation to total calculated costs. Anticipated losses are expensed immediately.

Interest income:

Interest income is recognized on a time proportion basis using the effective interest method.

Royalty revenues

Royalty revenue is recognized on an accruals basis in accordance with the financial conditions of the relevant agreements.

Dividends:

Dividends are recorded when payment has been received.

Other operating revenue and expenses

Other operating revenue and expenses include external rental revenue, income from the sale and scrapping of property, plant, equipment and tools and also gains or losses on sale of associated companies.

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.

Transactions and balance sheet items in foreign currency

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rate prevailing on the balance sheet date. Exchange rate gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities in foreign currency at the balance sheet exchange rate are recorded in the income statement. An exception is made where hedging transactions meet the requirements for cash flow hedge or net investments hedge where gains and losses are reported directly against equity after adjustment for deferred taxes.

Impairment losses

Assets with an indefinite useful life are not amortized but tested annually for impairment. Assets that are subject to amortization/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized by the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the highest of fair value less costs to sell and value in use. Assets with indefinite useful life are not amortized and tested annually for impairment. Assets that are subject to amortization/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized by the amount by which the carrying amount of

the asset exceeds its recoverable amount, which is the highest of fair value less costs to sell or value in use. In calculating value in use, future cash flows are 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. Impairment losses are reversed if there is a change in the recoverable amount, with the exception of impairment losses on goodwill.

Intangible assets

Goodwill

Goodwill comprises the amount by which the acquisition cost exceeds the fair value of the Group's share of identifiable net assets in the acquired company at the time of acquisition. Goodwill on acquisition of subsidiaries is recorded as an intangible asset. Goodwill on acquisition of associated companies is included in the value of the investment in the associated company. Goodwill is tested annually to identify possible impairment losses and is measured at cost less accumulated impairment losses. Gains or losses on the disposal of a unit include the carrying amount of the goodwill attributable to the disposed unit. In the impairment tests, goodwill is allocated between cash-generating units. These cash-generating units comprise the Group's investments in each primary segment.

Research and development

Expenditure for development and testing of new or significantly improved materials, products, processes or systems is capitalized if it is probable that the project will be successful in regard to its commercial and technical possibilities and the cost can be reliably measured. Other development expenditure is expensed as incurred. Development expenditure previously expensed is not recorded as assets in subsequent periods.

Capitalized development expenditure has a finite useful life and is amortized straight line from the point at which production of the product commences, normally over a period of approximately five years.

Most of the Group's expenditures for development and maintenance of existing products and are consequently expensed at the rate in which they are incurred.

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

Other intangible assets

Other intangible assets include assets such as patents, brands and licenses. Assets with a finite useful life are measured at cost less accumulated amortization and impairment. Assets with an infinite useful life are measured at cost less accumulated impairment losses. Subsequent expenditure for an intangible asset is added to the residual value or recorded as separate assets, depending on which is suitable, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured. Other expenditure is expensed as incurred. Other intangible assets are amortized over their useful life, normally five to ten years.

Property, plant and equipment (PPE)

PPE are measured at cost less accumulated depreciation according to plan and, where applicable, impairment losses. Cost includes expenses directly attributable to the acquisition of the asset. Cost may also include transfers from equity of gains and losses from cash-flow hedges relating to purchases in foreign currency, if these meet the requirements for hedge accounting.

Depreciation is carried out down to the estimated residual value. The residual value and useful life of the assets are assessed on each balance sheet date. The residual value of an asset is immediately written down to the recoverable value if the residual value of an asset exceeds its estimated recoverable value, impairment is immediately recognized, bringing the residual value down to the recoverable amount.

Depreciation is based on cost and is allocated on a straight-line basis over the asset's estimated useful life.

The following depreciation rates apply:

Land	0 per cent
Buildings	1.5-6 per cent

Machinery	5-33 per cent
Tools and moulds	33 per cent
Office equipment	10-20 per cent

Subsequent expenditure for a PPE is added to the residual value or recorded as separate asset, depending on which is suitable, only when it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured in a reliable manner. Other additional expenditure is expensed as it is incurred. Normal repair and maintenance costs are expensed as incurred.

Gains and losses on disposal are determined by comparing the sales proceeds and the residual value and are recorded in the income statement.

Leasing

Lease contracts for PPE are classified as either finance leases or operating leases. Finance leases apply when the financial risks and rewards related to ownership are for all practical purposes transferred to the Group. At the inception of the lease period, financial leasing is recorded at the leased asset's fair value or at the present value of the minimum lease payments, whichever is lower. The leased asset is recorded as PPE.

Each lease payment is divided between amortization of the liability and financial costs to achieve a fixed interest rate for the reported liability. The equivalent payment undertaking, less financial costs, is included as an interest-bearing liability. The interest portion of the financial costs is recorded in the income statement over the lease term, so that each reporting period is charged with an amount equivalent to a fixed interest rate for the liability reported for each period.

PPE held under finance lease agreements are amortized according to plan, in accordance with the same principles applicable to other assets of the same type.

Lease agreements not classified as finance leases operating leases. Minimum lease payment for operating leases are expensed as operating costs straight-line over the term of the lease. Leasing of cars is normally defined as operational leasing.

Financial instruments

Financial instruments recorded in the bal-

ance sheet include the following assets and liabilities: cash and cash equivalents, securities, other financial receivables, accounts receivable, accounts payable, loans and derivative financial instruments.

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

A financial asset is derecognized in the balance sheet when the rights conveyed by the agreement are realized, when they mature or when the company loses control over them. A financial liability is derecognized in the balance sheet when the obligations of the contract have been met or otherwise concluded.

Financial instruments are initially measured at fair value and subsequently on an ongoing basis at fair value or amortized cost, depending on their classification. All financial derivative financial instruments are measured at fair value.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are translated at the closing rate. Exchange rate differences on operating receivables and liabilities are included in operating profit, while exchange rate differences on financial receivables and liabilities are recorded as financial items.

Classification and measurement of financial instruments

The Group classifies its financial instruments into the following categories: financial assets or liabilities valued at fair value through profit or loss, investments held to maturity, loan receivables, accounts receivable and financial assets held for sale. The classification depends on the purpose for which the instrument was acquired. The classification is determined on the initial recording of the instrument and reassessed on each subsequent reporting occasion.

Financial assets valued at fair value through profit or loss

This category comprises, financial assets held for trading as well as assets designated into this category. Derivative financial instruments are also included in this category

unless identified as hedges. The Group's assets in this category comprise current and non-current securities investments, cash and cash equivalents and derivative financial instruments not identified as hedges. Assets in this category are classified as current assets if held for trading or expected to be realized within 12 months from the balance sheet date.

Financial assets measured at fair value through profit or loss are measured at fair value, both initially and after the date of acquisition.

Realized and unrealized gains and losses attributable to changes in fair value are recognized in the income statement in the period in which they occur.

Investments held to maturity

Financial assets held to maturity are assets that are not derivatives, with fixed or determinable payments and fixed period of maturity, which the Group intends, and has the ability, to hold to maturity. These are initially valued at fair value and subsequently at amortized cost applying the effective interest method.

At December 31, 2005, the Group held no instruments belonging to this category.

Financial assets available for sale

Financial assets available for sale are assets that are not derivative financial instruments and that have either been assigned to this category or not assigned to any other category. Assets in this category are measured at fair value with changes in value being recorded directly in equity. When the assets are derecognized, recorded accumulated gains or losses are transferred to the income statement. At December 31, 2005, the Group held no instruments belonging to this category.

Loan receivables

Loan receivables and accounts receivable are financial assets that are not derivatives with fixed or determinable payments and that are not listed in an active market.

Accounts receivable

Accounts receivable are initially valued at fair value and subsequently at amortized cost by applying the effective interest

method less possible provisions for impairment. A provision for impairment of an account receivable is made when there is objective evidence that the Group will not be able to secure all amounts maturing in accordance with the original conditions of the receivable. The size of the provision comprises the difference between the residual value of the asset and the current value of estimated future cash flows, discounted by the effective interest rate. The reserved amount is effecting operating profit.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and immediately accessible balances with banks and other institutes, as well as current liquid investments with a maturity, from the point of acquisition, of less than three months, and which are exposed to a minimal risk for fluctuations in value.

Borrowings

Borrowings are initially recorded at fair value net after transaction costs and subsequently at amortized cost. Any difference between the amount received and the amount to be repaid is recorded in the income statement, over the loan period by applying the effective interest method. Borrowings are classified as interest-bearing non-current or current liabilities in the balance sheet.

Accounts payable

Accounts payable are measured at their nominal amount.

Financial derivative instruments

The Group utilizes derivatives to cover the risk for exchange rate fluctuations and to hedge its exposure to interest rate risks. The Group also uses derivatives for commercial trade within the framework of the mandates determined by the Board. Holdings of financial derivatives include interest-rate and currency swaps, FRAs and foreign exchange forwards, and interest rate and currency options.

Derivatives are recognized in the balance sheet from the contract date and are measured at fair value, both initially and in subsequently. The method for reporting the gains or losses arising in connection

with reassessment depend on whether or not the derivatives has been identified as a hedging instrument and whether this is a hedge of fair value, cash flow or net investment.

Derivatives not identified as hedging instruments are classified in the balance sheet as financial assets and liabilities measured at fair value through profit or loss. Realized and unrealized gains and losses resulting from changes in fair value are recorded in the income statement in the period in which they occur.

Hedge accounting

The Group applies hedge accounting for financial instruments intended to hedge the following financial risks: future commercial cash flows in foreign currency, cash flows in future interest payments on the Group's borrowing and net investments in foreign operations.

When entering into the transaction, the relationship between the hedging instrument and the hedged item is documented, as is the objective of the risk management measure and the strategy according to which various hedging measures are implemented. Both at the inception of the hedging measure and on an ongoing basis, the Group also documents its assessment as to whether or not the derivatives used for the hedging transaction are efficient in offsetting changes in the fair value of the hedged items or in the cash flows pertaining to them.

Hedges are designated so that they can be expected to be effective. Changes in the fair value of derivatives not meeting the requirements for hedge accounting are recorded directly in the income statement.

Hedging of future commercial cash flows in foreign currency

To hedge future forecast and contracted commercial cash flows, the Group secures foreign exchange forward contracts and currency option contracts. The effective portion of changes in the fair value of hedging instruments is recognized in equity. The gain or loss attributable to any ineffective portion is recorded directly in the income statement. Accumulated amounts in equity are transferred back to the income

statement in the periods in which the hedged item affects profit, such as when a hedged forecast sale takes place. When a hedging instrument expires or is sold, or when the hedge no longer meets the requirements for hedge accounting, accumulated gains or losses remain in equity and are recorded as income at the same time as the forecast transaction is finally recorded in the income statement. If a forecast transaction is no longer expected to take place, the accumulated gain or loss recorded in equity is immediately transferred to the income statement.

The Group has also secured foreign exchange forward contracts and currency option contracts with the purpose of hedging intra-company commercial currency flows. These contracts are measured at fair value and affect the income statement in the period in which they arise.

Hedging of cash flows in future interest payments on Group borrowing

The Group secures interest-rate derivatives to ensure required interest levels on the Group's borrowings. Amounts to be paid or received in relation to interest rate derivatives are recorded on an ongoing basis as interest income or interest expense.

Changes in the fair value of hedge instruments are recognized in equity until the maturity date. Any ineffective portion is recognized directly in the income statement. If the loan (and consequently future interest payments) ceases to exist, the accumulated gain or loss recorded in equity is transferred immediately to the income statement.

Hedging of net investments in foreign operations

The Group has borrowings, foreign exchange forwards and currency options in foreign currencies to hedge investments in foreign subsidiaries. These borrowings and contracts are measured at the closing rate or the historical rate in the parent company. In the consolidated balance sheet, they are measured at the closing rate and exchange differences are recorded directly against equity after adjustment for the tax portion.

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. These loans are hedged for foreign exchange risks in the same way as investments in foreign subsidiaries. Loans and hedges are translated at the closing rate, with exchange rate differences on these loans and hedges being recognized directly in equity.

Accumulated gains and losses in equity are recorded in the income statement when the foreign operations are disposed of.

Realized exchange rate differences pertaining to borrowings and forward contracts are recorded in the cash-flow statement under "Financing activities."

Calculation of fair value

The fair value of listed financial instruments is calculated on the basis of current market prices on the balance sheet date (average of buying rate and selling rate). For unlisted financial instruments, or if the market for a certain financial asset is inactive, the value is determined through the application of assessment techniques, whereby the Group makes assumptions based on market conditions prevailing on the closing date. Market interest rates form the basis for the calculation of the fair value of non-current loans. For other financial instruments where no market value is stated, fair value is assessed to be equivalent to the residual value.

Inventories

Inventories are measured 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 finished products, cost consists of raw materials, direct personnel costs, other direct costs and related indirect production costs. Normal capacity utilization is used in the measurement of inventories. Borrowing costs are not included. The net realizable value is calculated as the estimated selling price less applicable variable sales expenses. Deductions are made for internal profits generated through inter-company sales.

Equity

Costs arising in connection with new share issues and the repurchase of treasury shares are recorded directly in equity.

The redemption of convertibles and the exercise of share warrants entail new shares being issued while the exercise of call options may entail the utilization of treasury shares. The proceeds from the sale of these shares are recorded directly in equity. Holdings of treasury shares reduce profit brought forward.

Provisions

Provisions are recorded when the Group has a legal or constructive 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 reliably. 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. Provisions are made when a detailed, formal plan for measures has been established and valid expectations have been raised by those who will be affected by the measures. No provisions are made for future operating losses.

Shareholders' contributions and Group contributions

Shareholders' contributions are added to the value of shares and participations in the balance sheet, after which, impairment testing is conducted.

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

Government grants

Government grants are recorded at fair value 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 reduces their cost. Government grants providing compensation for expenses are reported systematically over the same period as the expenses to be compensated.

Employee benefits

Pension obligations

Within the Group, there are number of

defined-contribution pension plans and defined-benefit pension plans, a small number of which have plan assets in foundations or similar.

In a defined-benefit pension plan the amount of the pension benefit an employee will receive after retirement is based on factors such as age, period of service and salary. A defined-contribution pension plan is a plan where the Group pays fixed fees to a separate legal unit.

Pension plans are normally financed through contributions to a separate legal unit from each Group company and from the employees.

The liability recorded in the balance sheet in respect of defined benefit pension plans is the current value of the defined benefit obligation on the balance sheet date less the fair value of plan assets and adjusted for unrecognized actuarial gains and losses for past service.

For defined benefit plans, the liability is calculated using the Projected Unit Credit Method, which allocates the cost over the employee's expected average remaining working life. 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, i.e. where the assets exceed the obligations, are recognized as plan assets. If actuarial gains and losses exceed the higher of 10 per cent of the pension obligations or the market value of the plan assets, the 10-per cent "corridor" is recognized over the expected average remaining working life of employees participating in the plan. Some of the ITP plans in Sweden are financed through insurance premiums paid to Alecta. This plan encompasses several employers. For the 2005 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 recorded as a defined-contribution plan.

The Group's pension payments for defined contribution plans are expensed in all functions in the income statement in 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 works 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. Actuarial gains and losses are recognized over the expected average remaining working life of the employees concerned. These obligations are assessed by qualified actuaries.

Bonuses

Provisions for bonuses are expensed on an ongoing basis in accordance with the financial implications of the agreement.

Remuneration on termination

Remuneration is normally payable if employment is terminated prior to normal retirement age or when an employee accepts voluntary termination in exchange for remuneration. The Group reports severance pay when a detailed formal plan has been presented.

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.

Critical accounting policies, estimates and assumptions

Company management and the Board of Directors make estimates and assumptions about the future. These estimates and assumptions affect recorded assets and liabilities, as well as revenue and expenses and

other disclosures, including contingent liabilities. These estimates are based on historical experience and on various assumptions considered reasonable under prevailing conditions. The conclusions reached in this manner form the basis for decisions concerning the reported values of assets and liabilities where these cannot be determined by means of other information. The actual outcome may diverge from these estimates if other assumptions are made or other conditions arise. Areas involving such estimates and assumptions that may have a significant effect on the Group's earnings and financial position include:

- The measurement of identifiable assets and liabilities in business combinations.
- Impairment testing for goodwill and other assets.
- Measurement of receivables.
- Calculation of deferred tax receivables and liabilities.
- Calculations of remunerations to employees.
- Calculations regarding legal disputes and contingent liabilities.
- Calculations of provisions for restructuring measures, other provisions and accrued costs.

Cash-flow statements

Cash-flow statements are prepared in accordance with the indirect method.

New accounting regulations effective as of January 1, 2006

The following standards and statements became effective after the balance sheet date:

- IAS 19: Employee Benefits: Entails an alternative possibility for the reporting of unrecognized actuarial gains and losses. See Note 28.
- IAS 39: Cash flow hedge accounting of forecast intra-group transactions: This change would only have entailed a mar-

ginal alteration in the Group's earnings for 2005. Effective from 2006, the hedging of internal transactions will be reported in accordance with the revised IAS 39.

Parent Company's accounting policies

The financial statements of the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and Swedish Financial Accounting Standards Council's recommendation RR 32, Accounting for legal entities, which entails that, in its financial reporting, the Parent Company applies the International Financial Reporting Standards (IFRS) that have been endorsed by the EU where this is possible within the framework of the Swedish Annual Accounts Act and with consideration of the link between accounting and taxation. This entails the following difference between accounting in the Parent Company and the Group.

- The Parent Company records its pension obligations in accordance with the Swedish law on safeguarding of pension commitments. Adjustments in accordance with IFRS are made at the Group level.
- In the case of non-current lending to subsidiaries, which forms part of the Company's net investment in the subsidiary, the change in value is recognized in a revaluation reserve in equity. Consequently, changes in the value of hedging instruments are also recognized in a revaluation reserve. Accumulated changes in value on loans and hedging instruments are reversed in connection with the disposal or reduction of each investment, with accumulated changes in value on both loans and hedging transactions pertaining to the same loans being transferred to the income statement. At the Group level, an adjustment is made to eliminate this effect on earnings in the Parent Company, whereby no changes occur in the consolidated income statement and balance sheet.

Financial statements

Consolidated income statements

SEK M	Note	2005	2004
Continuing operations			
Net sales	2	24,170	22,912
Cost of goods sold		-17,665	-17,048
Gross profit		6,505	5,864
Selling expenses		-2,077	-2,013
Administrative expenses		-2,461	-2,386
Research & development costs		-476	-493
Other operating income	6	378	361
Other operating costs	6	-123	-135
Share of profit or loss in associated companies	7	33	37
Operating profit	3,4,5,8,9,10	1,779	1,235
Financial income	11	7	15
Financial costs	11	-219	-302
Profit before tax		1,567	948
Income	12	-390	-218
Net profit		1,177	730
Divested operations			
Share of profit in Trenor	7	-	47
Gain from divestment of Trenor		-	609
Operating profit		-	656
Profit before tax		-	656
Net profit		-	656
Total operating profit		1,779	1,891
Total profit before tax		1,567	1,604
Total net profit for the year		1,177	1,386
- of which minority interests' share	13	16	14
- of which attributable to Parent Company shareholders		1,161	1,372
Earnings per share, SEK			
Continuing operations			
Earnings		12.90	8.10
Diluted earnings ¹⁾		12.90	8.10
Earnings excluding restructuring costs and impairment losses ²⁾		12.90	12.55
Divested operations			
Earnings		-	7.45
Diluted earnings ¹⁾		-	7.45
Total			
Earnings		12.90	15.55
Diluted earnings ¹⁾		12.90	15.55
Dividend ³⁾		5.50	5.00
Number of shares			
Average		90,160,338	88,315,113
Average, after dilution		90,160,338	88,326,738
1) Net earnings have been adjusted for net interest items, after tax, SEK M			
		-	1
2) Net earnings have been adjusted for restructuring costs and impairment after tax, SEK M			
		-	392
3) In accordance with Board's and President's proposal.			

Comments to the consolidated income statement

Consolidated net sales increased by 5.5 per cent to SEK 24,170 M (22,912). Organic growth amounted to 3 per cent and exchange rate movements to 2.5 per cent. The effect of divested units was offset by acquisitions during the year.

Net sales by business area

SEK M	2005	2004	Nominal change, %
Trelleborg Automotive	9,550	9,182	+4
Trelleborg Sealing Solutions	5,166	5,009	+3
Trelleborg Engineered Systems	4,549	4,133	+10
Trelleborg Wheel Systems	3,023	2,722	+11
Trelleborg Building Systems	2,304	2,257	+2
Eliminations	-422	-391	
Group	24,170	22,912	+5.5

Net sales by geographic market

SEK M	2005	2004	Nominal change, %
EU	16,130	15,675	+3
Rest of Europe	987	755	+31
US	3,809	3,564	+7
Other North and South American countries	1,578	1,354	+17
Other regions	1,666	1,564	+7
Group	24,170	22,912	+5.5

EBITDA for continuing operations, excluding restructuring costs and impairment losses, amounted to SEK 2,625 M (2,637). During 2005, administrative expenses for treasury operations were charged against EBITDA, while these expenses were included in net

financial items for 2004 (SEK 16 M). The EBITDA margin amounted to 10.7 per cent (11.4). The decline was attributed to a lower gross margin for Automotive operations, due mainly to higher raw material prices, and increased central costs, some of which were of a temporary nature.

Operating profit for continuing operations amounted to SEK 1,779 M (1,235). Excluding restructuring costs and impairment losses, operating profit amounted to SEK 1,779 M (1,795). The effects of exchange rate movements on translations of foreign subsidiaries amounted to SEK 44 M.

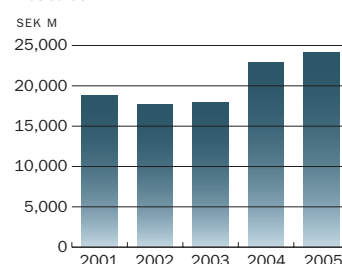
The Group's total net financial income and costs amounted to SEK 212 M (expense: 287). Net interest costs amounted to 2.7 per cent of average net debt during the year.

The Group's tax expense totaled SEK 390 M (218), representing to a tax rate of 24.9 per cent. The Group's tax expense was impacted favorably by previously unrecognized losses carried forward due to various measures now can be recognized as deferred tax assets.

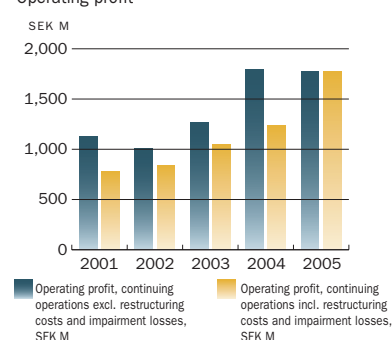
Net profit amounted to SEK 1,177 M (1,386). Earnings per share totaled SEK 12.90 (15.55).

For continuing operations, excluding restructuring costs and impairment losses, net profit amounted to SEK 1,177 M (1,122). Earnings per share were SEK 12.90 (12.55).

Net sales



Operating profit *



Earnings per share *



* For years 2001 – 2003, excluding goodwill amortization.

Continuing operations excluding restructuring costs and impairment losses

SEK M	2005	2004
Net sales	24,170	22,912
EBITDA	2,625	2,637
Operating profit	1,779	1,795
Profit before tax	1,567	1,508
Net profit	1,177	1,122

Income statement per quarter

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2005	2004	2005	2004	2005	2004	2005	2004
Net sales	5,794	5,815	6,348	6,108	5,846	5,460	6,182	5,529
Operating profit	398	492	547	1,082	425	383	409	-66
Profit before tax	336	408	489	1,009	392	311	350	-124
Net profit	245	306	355	905	284	233	293	-58

Continuing operations excluding restructuring costs and impairment losses

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2005	2004	2005	2004	2005	2004	2005	2004
Net sales	5,794	5,815	6,348	6,108	5,846	5,460	6,182	5,529
EBITDA	600	683	755	731	642	597	628	626
Operating profit	398	473	547	517	425	389	409	416
Profit before tax	336	389	489	444	392	317	350	358
Net profit	245	285	355	315	284	238	293	284

Financial statements

Consolidated balance sheets

December 31, SEK M	Note	2005	2004
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	14	5,667	5,399
Goodwill	15	7,717	6,876
Other intangible assets	15	491	304
Shares in associated companies	16	121	121
Financial assets	17, 18	33	26
Deferred tax asset	19	782	726
Total non-current assets		14,811	13,452
<i>Current assets</i>			
Inventories	20	3,275	2,826
Accounts receivable and other operating receivables	21, 22	5,732	5,106
Current tax assets		386	260
Interest-bearing receivables	23, 24	93	33
Cash and cash equivalents	25	663	475
Total current assets		10,149	8,700
TOTAL ASSETS		24,960	22,152
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>	26		
Share capital		2,400	2,400
Contributions of other funds		226	226
Other reserves		601	-183
Profit brought forward		5,653	4,660
Net profit for the year		1,161	1,372
Shareholders' equity		10,041	8,475
<i>Minority interests</i>	13	72	128
Equity		10,113	8,603
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	29	5,891	7,150
Other non-current liabilities	30	43	44
Pension provisions	28	842	801
Other provisions	27	242	253
Deferred tax liabilities	19	149	99
Total non-current liabilities		7,167	8,347
<i>Current liabilities</i>			
Interest-bearing current liabilities	29	2,106	310
Tax liability		431	358
Accounts payable and other operating liabilities	30, 31	4,965	4,257
Other provisions	27	178	277
Total current liabilities		7,680	5,202
TOTAL EQUITY, PROVISIONS AND LIABILITIES		24,960	22,152
Contingent liabilities	32	211	208
Pledged assets	32	44	37

Comments to the consolidated balance sheets

The Group's total assets amounted to SEK 24,960 M (22,152), an increase of SEK 2,808 M. Currency effects from translations of foreign subsidiary accounts amounted to SEK 2,966 M. Acquisitions during the year increased assets by SEK 442 M.

The Group's capital employed (non-current assets, investments in associated companies, inventories and operating receivables less operating liabilities) amounted to SEK 16,922 M (15,112), an increase of SEK 1,810 M, of which SEK 1,322 M was attributable to exchange rate movements on translation and SEK 378 M to acquisitions during the year, of which goodwill comprises SEK 315 M. Working capital in relation to net sales was lower as a result of ongoing capital rationalization projects.

Capital expenditures for the year excluding acquired units amounted to SEK 876 M (1,011), including SEK 692 M of property, plant and equipment and SEK 184 M of intangible assets. This corresponded to 104 per cent (120) of the annual depreciation/amortization.

Expenditures in capitalized development work during the year amounted to SEK 155 M (126).

Cash and cash equivalents amounted to SEK 663 M (475).

Total equity at year-end amounted to SEK 10,113 M (8,603), of which the minority interests' share was SEK 72 M (128). Reporting in

accordance with IAS 39 – Financial instruments: Recognition and Measurement, increased equity at January 1, 2005 by SEK 14 M, net after tax. Exercise of call options issued in 2002 increased equity by SEK 78 M through the use of 640,000 treasury shares. A total dividend of SEK 452 M was paid to shareholders. The net of translation differences arising upon translation of foreign subsidiaries into SEK and exchange rate differences on instruments used to hedge these investments increased shareholders' equity by SEK 779 M. Minority interests in total equity declined during the year by SEK 102 M as a result of acquisition of minority interests in Wuxi Trelleborg Vibration Isolator Co. Ltd. The minority interests in the Group's total equity at year-end amounted to SEK 72 M. Shareholders' equity per share at year-end amounted to SEK 111.15.

Interest-bearing liabilities totaled SEK 7,997 M, of which current interest-bearing liabilities amounted to SEK 2,106 M. Net cash flow amounted to SEK 208 M. Net debt at year-end totaled SEK 7,236 M, an increase of SEK 285 M to which exchange rate and translation differences contributed by SEK 507 M.

The debt/equity ratio was 72 per cent (81).

Net debt/EBITDA was 2.8 times and EBITDA/net financial items 12.4 times.

Net debt

SEK M	2005	2004
Non-current interest-bearing assets	5	1
Current interest-bearing receivables	93	33
Cash and cash equivalents	663	475
Total interest-bearing assets	761	509
Interest-bearing non-current liabilities	-5,891	-7,150
Interest-bearing current liabilities	-2,106	-310
Total interest-bearing liabilities	-7,997	-7,460
Net debt	-7,236	-6,951

Change in net debt

Net debt at January 1	-6,951	-8,447
Cash flow for the year	208	1,059
Borrowing costs	14	-
Convertible debentures	-	206
Change in interest-bearing receivable, non-cash flow	-	10
Exchange rate differences	-507	221
Net debt at year-end	-7,236	-6,951

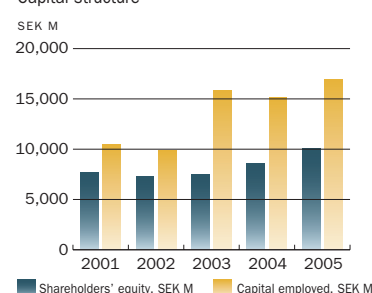
Change in total equity – Group

SEK M	Related to Parent Company's shareholders						Profit brought forward		Minority		Total	
	Share capital		Other capital contributions		Other reserves		2005	2004	2005	2004	2005	2004
	2005	2004	2005	2004	2005	2004						
Opening balance, January 1	2,400	2,287	226	44	-183	0	6,032	4,976	128	152	8,603	7,459
Adjustment of opening balance in accordance with IAS 39, net after tax					19		-5				14	-
Changes during the year												
Acquisitions									-102	-27	-102	-27
New share issue in connection with loan conversion		79		127				1			-	207
New share issue in connection with exercise of warrants		34		55							-	89
Transfer of treasury shares at exercise of call options							78	79			78	79
Cash flow hedges, net after tax					-14						-14	-
Translation difference					1,008	-306			31	-9	1,039	-315
Exchange rate differences on hedging instruments after tax					-229	123					-229	123
Net profit							1,161	1,372	16	14	1,177	1,386
Dividend							-452	-396	-1	-2	-453	-398
Closing balance, December 31	2,400	2,400	226	226	601	-183	6,814	6,032	72	128	10,113	8,603

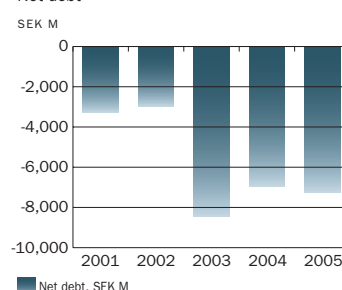
For other reserves, see also Note 26.

The Board of Directors and the President propose a dividend of SEK 5.50 (5.00) per share, a total of SEK 497 M (452).

Capital structure



Net debt



Financial statements

Consolidated cash-flow statements

SEK M	2005	2004
Operating activities		
Operating profit	1,779	1,891
Adjustment for items not included in cash flow		
Income from divestment of Trenor	–	–609
Amortization of intangible assets	65	34
Depreciation of PPE	781	808
Impairment	–	313
Provisions for restructuring costs	–	247
Non-distributed share of profit in associated companies	21	–32
	2,646	2,652
Interest received and other financial items	26	31
Interest paid and other financial items	–288	–319
Tax paid	–405	–379
Cash flow from operating activities before changes in working capital	1,979	1,985
Cash flow from changes in working capital		
Change in inventories	–160	–146
Change in operating receivables	–113	–289
Change in operating liabilities	204	186
Utilization of restructuring reserves	–107	–30
Cash flow from operating activities	1,803	1,706
Investing activities		
Acquisitions 1)	–368	–346
Restructuring measures in acquired units, etc.	–63	–248
Divested units 2)	–	1,097
Capital expenditures for intangible assets	–184	–170
Capital expenditures for property, plant and equipment	–692	–841
Sale of non-current assets	87	91
Cash flow from investing activities	–1,220	–417
Financing activities		
Change in interest-bearing investments	–26	133
Change in interest-bearing liabilities	–23	–1,705
Dividend paid	–452	–396
Dividend to minority	–1	–2
New share issue in connection with exercise of warrants	–	89
Transfer of own shares at exercise of call options	78	79
Cash flow from financing activities	–424	–1,802
Cash flow for the year	159	–513
Cash and cash equivalents:		
Opening balance, January 1	475	999
Reclassification of opening balance	–36	–
Exchange rate difference in cash and cash equivalents	65	–11
Cash and cash equivalents, December 31	663	475
1) Acquired units	2005	2004
		Metzeler Automotive Hose Systems
		Others
SEK M		
Purchase price, including direct costs at acquisition	368	271
Fair value of acquired net assets	77	250
Goodwill	291	21
		43
Acquired assets and liabilities:		
Property, plant and equipment	25	138
Intangible assets	15	3
Deferred tax	11	–
Associated companies	3	–
Operating assets	86	274
Cash and cash equivalents	11	31
Minority share	–	–
Operating liabilities	–63	–162
		33
Cash and cash equivalents	–11	–31
Total	77	250
		33
2) Divested units	2005	2004
SEK M		
Non-current assets	–	408
Provision	–	80
Income from divestment of Trenor	–	609
Effect on Group cash and cash equivalents	–	1,097

Comments to the consolidated cash-flow statements

Operating cash flow before capital expenditures and divestment of non-current assets rose to SEK 2,577 M (2,403) as a result of more effective working capital management.

Capital expenditures for property, plant and equipment during the year amounted to SEK 692 M (841), and corresponding investments in intangible assets totaled SEK 184 M (170). Capital expenditures corresponded to 104 per cent (120) of depreciation for the year.

Including net investments, the Group's operating cash flow totaled SEK 1,788 M (1,483).

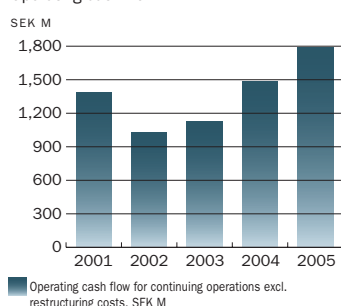
Operating cash flow in relation to the Group's operating profit amounted to 101 per cent.

After deduction for restructuring measures totaling SEK 170 M, financial payments and taxes, free cash flow amounted to SEK 950 M, corresponding to SEK 10.55 per share.

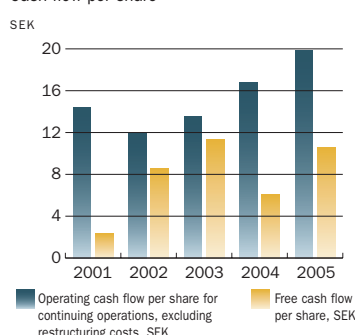
Acquisition costs during the year affected cash flow in the amount of SEK 368 M. Dividends paid to shareholders amounted to SEK 452 M SEK 5.00 per share, or 47 per cent of free cash flow per share.

Total net cash flow amounted to SEK 208 M (1,059).

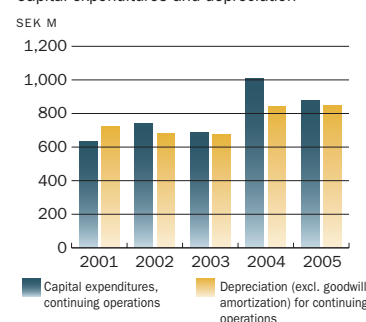
Operating cash flow



Cash flow per share



Capital expenditures and depreciation



Cash flow report

SEK M	EBITDA excl. non-distributed shares in associated companies		Capital expenditures		Sold non-current assets		Change in working capital		Total cash flow	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Trelleborg Automotive	967	1,015	-485	-546	4	36	40	-165	526	340
Trelleborg Sealing Solutions	904	856	-148	-224	45	16	-91	-69	710	579
Trelleborg Engineered Systems	464	437	-94	-104	1	6	-54	-18	317	321
Trelleborg Wheel Systems	321	273	-84	-71	2	30	-4	-4	235	228
Trelleborg Building Systems	263	261	-49	-55	1	1	15	11	230	218
Other companies	-9	-3	-1	0	15	2	-3	-2	2	-3
Group items	-264	-187	-15	-11	19	0	28	-2	-232	-200
Operating cash flow	2,646	2,652	-876	-1,011	87	91	-69	-249	1,788	1,483
Provisions for restructuring measures in acquired units									-63	-248
Utilization of structural provisions									-107	-30
Dividend to minority									-1	-2
Financial items									-262	-288
Tax									-405	-379
Free cash flow									950	536
Acquisitions									-368	-346
Divestments									-	1,097
Dividend to shareholders									-452	-396
Exercise of warrants and call options									78	168
Total net cash flow									208	1,059
Net debt, opening balance									-6,951	-8,447
Borrowing costs									14	-
Convertible debentures									-	206
Change in interest-bearing receivables, non-cash flow									-	10
Exchange rate differences									-507	221
Net debt, closing balance									-7,236	-6,951

Financial statements

Parent Company, Trelleborg AB, income statements and cash flow statements

INCOME STATEMENT

SEK M	Note	2005	2004
Administrative expenses	35, 36, 40	-327	-281
Other operating income	37	211	151
Other operating costs	37	-1	-11
Operating profit/loss	38, 39	-117	-141
Financial income and costs	41	-756	3 416
Profit/loss before tax		-873	3 275
Income tax	42	186	-111
Net profit/loss		-687	3,164

CASH FLOW STATEMENT

SEK M	2005	2004
<i>Operating activities</i>		
Operating profit/loss	-117	-141
Adjustment for items not included in cash flow:		
Gain on sale of non-current assets	0	0
Depreciation of property, plant and equipment	3	1
Amortization of intangible assets	0	
Impairment losses	-	7
	-114	-133
Cash dividend received	334	823
Interest income and other financial items	395	495
Interest expense and other financial items	-774	-177
Tax paid	-1	0
Cash flow from operating activities before changes in working capital	-160	1,008
<i>Cash flow from changes in working capital</i>		
Change in inventories	0	3
Change in operating receivables	109	-43
Change in operating liabilities	9	18
Cash flow from operating activities	-42	986
<i>Investing activities</i>		
Acquisition of subsidiaries/capital contribution	-15,114	-571
Divestment of subsidiaries	0	-
Capital expenditures for property, plant and equipment	-3	-2
Capital expenditures for intangible assets	-10	
Sale of non-current assets	0	0
Cash flow from investing activities	-15,127	-573
<i>Financing activities</i>		
Change in interest-bearing investments	8,720	-542
Change in interest-bearing liabilities	6,807	-29
Dividend paid	-452	-396
New share issue in connection with exercise of warrants	-	89
Transfer of treasury shares at exercise of call options	78	79
Cash flow from financing activities	15,153	-799
Cash flow for the year	-16	-386
Cash and cash equivalents, January 1	16	402
Cash and cash equivalents, December 31 1)	0	16
1) Cash and cash equivalents:		
Cash and bank balances	0	16
Total at year-end	0	16

Parent Company, Trelleborg AB, balance sheets

BALANCE SHEET

December 31, SEK M	Note	2005	2004
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	43	11	11
Intangible assets	44	10	–
Financial assets	45, 46	26,661	16,817
Deferred tax asset	47	47	63
Total non-current assets		26,729	16,891
<i>Current assets</i>			
Inventories	48	1	1
Current receivables	49, 50	39	221
Tax assets		0	1
Interest-bearing receivables	51	1,324	5,043
Cash and cash equivalents		0	16
Total current assets		1,364	5,282
TOTAL ASSETS		28,093	22,173
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
<i>Restricted equity</i>			
Share capital	52	2,400	2,400
Statutory reserve		1,130	1,130
Total restricted equity		3,530	3,530
<i>Non-restricted equity</i>			
Fair value reserve		277	–
Profit brought forward		4,143	1,107
Net profit/loss for the year		–687	3,164
Total non-restricted equity		3,733	4,271
Total shareholders' equity		7,263	7,801
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	55	361	13,437
Pension provisions	53	4	4
Other provisions	54	4	–
Total non-current liabilities		369	13,441
<i>Current liabilities</i>			
Interest-bearing current liabilities	55	20,332	635
Other current liabilities	56, 57	115	294
Other provisions	54	14	2
Total current liabilities		20,461	931
TOTAL EQUITY AND LIABILITIES		28,093	22,173
Contingent liabilities	58	726	631
Pledged assets	58	–	–

Parent Company, change in shareholders' equity

Shareholders' equity SEK M	Restricted equity		Non-restricted equity		Total	
	2005	2004	2005	2004	2005	2004
Opening balance, January 1	3,530	3,235	4,271	1,457	7,801	4 692
Adjustment of opening balance in accordance with IAS 39			264		264	
Tax on adjustment of opening balance in accordance with IAS 39			–74		–74	
<i>Changes for the year:</i>						
Transfer between restricted and non-restricted equity		–1		1	0	0
Dividend			–452	–396	–452	–396
Fair value earnings			159		159	
Tax on fair value earnings			–45		–45	
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	78	79
Group contribution			304	–47	304	–47
Tax on Group contribution			–85	13	–85	13
Net profit for the year			–687	3,164	–687	3,164
Closing balance, December 31	3,530	3,530	3,733	4,271	7,263	7,801

See also Note 52.

Note 1

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

The most significant changes are the adaptations to IFRS 3, Business Combinations, and IAS 39, Financial Instruments: Recognition and Measurement.

The summary below shows equity and net profit in accordance with IFRS 3 and effects on equity as per January 1, 2005 in accordance with IAS 39.

Shareholders' equity, SEK M	Jan 1, 2004	Dec 31, 2004
Shareholders' equity in accordance with previous accounting principles	7,452	8,118
Amortization of goodwill		403
Restructuring costs for companies acquired during 2004		-24
Tax	-14	-9
Minority interests	152	128
Translation differences		-13
Equity in accordance with IFRS	7,590	8,603
Effect of IAS 39 at January 1, 2005		14
Equity at January 1, 2005 in accordance with IFRS		8,617
Net profit, SEK M		2004
Net profit for continuing operations in accordance with previous accounting principles		332
Reversed goodwill amortization		403
Restructuring costs that impact calculation of goodwill		-24
Income tax		5
Net profit for continuing operations in accordance with IFRS; consolidated accounts		716
Net profit for divested operations in accordance with previous accounting principles		656
Net profit for divested operations in accordance with IFRS, Group share		656
Total net profit in accordance with previous accounting principles		988
Total net profit in accordance with IFRS, Group share		1,372

IFRS includes regulations for the transition to IFRS

IFRS 3, Business Combinations are reported retroactively from January 1, 2004.

IAS 39, Financial Instruments; Recognition and Measurement are reported from January 1, 2005.

IFRS 3, Business Combinations:

Goodwill and other intangible assets with an indefinite useful life are no longer amortized but, instead, tested for impairment annually and more frequently if there are indications of diminution. Impairment tests were conducted during the fourth quarter of 2004 to determine the value of goodwill. Another effect of the transition to IFRS 3 relates to changes in allocations of acquisition costs between goodwill and other intangible assets. Only one minor acquisition was made in 2004 and a Group analysis 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 the acquisition made in 2004. This adjustment amounted to SEK 24 M.

IAS 39 Financial instruments, Recognition and Measurement:

The Group applies hedge accounting for financial instruments intended to hedge transaction exposure, interest rate risk and foreign currency translation exposure in the balance sheet. The market value of all derivatives is assessed on an ongoing basis. If the hedging transaction is effective the hedging changes in the market values of the financial instruments above are recorded in the balance sheet as equity.

The Group's foreign exchange forwards, which are intended to hedge inter-company commercial currency flows, are measured at market value and changes in market value have affected the income statement, since IAS 39 did not permit hedge accounting for hedging of inter-company currency flows during 2005.

The Group assessed that there are no embedded derivatives.

Reporting in accordance with IAS 39 increased equity at January 1, 2005 by SEK 14 M after tax.

Note 2

Segment reporting

Primary segments

The Group's primary segments are presented on Pages 14-33.

Net sales and operating profit by business segment

sek m	2005					2004				
	Net sales		Total	Operating profit	Including profit/loss in associated companies	Net sales		Total	Operating profit	Including profit/loss in associated companies
	External	Internal				External	Internal			
Trelleborg Automotive	9,532	18	9,550	531	26	9,172	10	9,182	330	34
Trelleborg Sealing Solutions	5,118	48	5,166	703	2	4,981	28	5,009	676	1
Trelleborg Engineered Systems	4,266	283	4,549	325	–	3,842	291	4,133	175	
Trelleborg Wheel Systems	3,005	18	3,023	215	0	2,704	18	2,722	–28	
Trelleborg Building Systems	2,246	58	2,304	197	5	2,213	44	2,257	190	2
Other operations	3		3	–192				0	–108	
Divested operations			0					0	656	47
Elimination of inter-company sales		–425	–425				–391	–391		
Trelleborg Group	24,170	0	24,170	1,779	33	22,912	0	22,912	1,891	84
Financial income				7					15	
Financial costs			–219					–302		
Income tax				–390					–218	
Net profit for the year				1,177					1,386	

Assets and liabilities by business segment

sek m	2005								2004							
	Operating assets	Operating liabilities	Capital employed	Including invest-ments in associated companies	Capital expendi-tures	Depre-ciation/ amorti-zation	Impair-ment losses	Operating cash flow	Operating assets	Operating liabilities	Capital employed	Including invest-ments in associated companies	Capital expendi-tures	Depre-ciation/ amorti-zation	Impair-ment losses	Operating cash flow
Trelleborg Automotive	8,202	2,433	5,769	104	485	382	–	526	7,259	2,127	5,132	99	546	374	137	340
Trelleborg Sealing Solutions	7,709	922	6,787	–2	148	172	–	710	7,015	896	6,119	10	224	161		579
Trelleborg Engineered Systems	3,147	1,069	2,078	1	94	123	–	317	2,707	949	1,758		104	129	75	321
Trelleborg Wheel Systems	2,213	770	1,443	2	84	95	–	235	2,008	691	1,317		71	105	101	228
Trelleborg Building Systems	1,291	433	858	16	49	61	–	230	1,279	420	859	12	55	63		218
Other operations	331	263	68		16	13	–	–230	346	235	111		11	10		–203
Divested operations																
Provisions for restructuring measures	7	88	–81							184	–184					
Elimination of inter-company operating liabilities/receivables	–21	–21	0						–34	–34	0					
Capital employed	22,879	5,957	16,922	121	876	846	–	1,788	20,580	5,468	15,112	121	1,011	842	313	1,483
Undistributed assets/liabilities	2,081	19,003							1,572	16,684						
Total assets/liabilities	24,960	24,960							22,152	22,152						

Undistributed assets and liabilities consist of financial assets and liabilities and tax.

To achieve comparability, historical data has been adjusted with respect to the transfer of operations from Trelleborg Wheel Systems to Trelleborg Engineered Systems. The business areas have been charged with Group-wide costs equivalent to 0.4 per cent of external sales, which does not affect the reported cash flow.

Secondary segments

External net sales by geographical market

SEK M	2005	2004
EU	16,130	15,675
Rest of Europe	987	755
North America	4,486	4,185
Other markets	2,567	2,297
Trelleborg Group	24,170	22,912

Assets by geographical market

sek m	Operating assets		Capital expenditures	
	2005	2004	2005	2004
EU	17,258	16,313	632	771
Rest of Europe	326	252	26	25
North America	3,618	2,912	96	103
Other markets	1,933	1,335	122	112
Eliminations	–256	–232		
Total	22,879	20,580	876	1,011
Undistributed assets	2,081	1,572		
Trelleborg Group	24,960	22,152		

Net sales

By geographical market

sek m	2005	2004
Sweden	1,912	1,881
France	3,261	3,163
Italy	1,362	1,267
Spain	1,018	1,090
UK	2,092	2,101
Germany	3,432	3,573
Other EU countries	3,053	2,600
Total EU countries	16,130	15,675
Rest of Europe	987	755
US	3,809	3,564
Other North and South American countries	1,578	1,354
Other regions	1,666	1,564
Total	24,170	22,912
Of which		
Sales of goods	24,123	22,863
Services	47	49

In the translation of foreign subsidiaries, changes in exchange rates compared with 2004 affected sales and operating profit positively by 2.5 per cent and 2.3 per cent, respectively.

Trends in key currencies were as follows:

	2005		2004	
	Average rate	Year-end rate	Average rate	Year-end rate
EUR	9.2848	9.4393	9.1268	9.0163
USD	7.4796	7.9538	7.3496	6.6138
GBP	13.5798	13.7388	13.456	12.7163

Note 3

Employees and costs

Average number of employees

Women	2005			2004		
	Women	Men	Total	Women	Men	Total
Sweden	757	1,694	2,451	840	1,718	2,558
France	678	2,218	2,896	709	2,239	2,948
Italy	238	1,049	1,287	243	1,038	1,281
Spain	282	1,076	1,358	286	1,116	1,402
UK	518	1,672	2,190	512	1,892	2,404
Germany	287	996	1,283	279	1,000	1,279
Other EU countries	1,024	2,242	3,266	856	2,247	3,103
Total EU countries	3,784	10,947	14,731	3,725	11,250	14,975
Rest of Europe	85	434	519	82	363	445
US	808	1,740	2,548	748	1,616	2,364
Brazil	79	754	833	88	660	748
Other North and South American countries	391	567	958	405	558	963
China	86	284	370	159	444	603
Sri Lanka	32	672	704	30	661	691
Other regions	183	848	1,031	159	727	886
Total	5,448	16,246	21,694	5,396	16,279	21,675

The proportion of women in executive management positions is 14 per cent (7) and 18 per cent (18) on the Board of Directors.

Wages, salaries and other remuneration

SEK M	2005	2004
	Wages and other remuneration	Wages and other remuneration
Sweden	774	774
France	762	790
Italy	426	424
Spain	320	316
UK	680	721
Germany	567	578
Other EU countries	618	612
Total EU countries	4,147	4,215
Rest of Europe	157	132
US	865	878
Brazil	82	65
Other North and South American countries	142	129
China	16	24
Sri Lanka	17	13
Other regions	173	150
Total	5,599	5,606
Of which		
to board members, presidents and executive vice presidents, including variable salaries	141	115
to other senior executives	18	18

SEK M	2005	2004
Social security expenses	1,174	1,214
Pension costs – premium-defined plans	156	113
Pension costs – benefit-defined plans	95	90

A complete list is appended to the Annual Report filed with the Bolagsverket (Swedish Companies Registration office).

Until the final date of his employment on September 30, 2005, the former President and Chief Executive Officer received a fixed salary, variable salary and other compensation as shown in the table below. The variable salary had an established upper limit, maximum SEK 4 M, per full year. Since July 1, 2005, the new President, who is also Chief Executive Officer, receives a fixed salary, variable salary and other compensation as shown in the table below. The variable salary has an established upper limit, maximum SEK 3 M, per full year. The variable salary for both persons is equivalent to 65 per cent of the Trelleborg Group's profit before tax, and 35 per cent of the Group's net profit, in both cases excluding the effect of structural changes approved by the Board. Variable salary for the former President was pensionable income. The variable salary for the new President does not constitute pensionable income.

In addition, the former President had an agreement of variable salary with established upper limit based on the Trelleborg's share performance during the period 2002-2004, subscribed for in 2002 and with an initial value of SEK 85 per share. The final outcome was computed in April 2005, based on the average price of the Trelleborg share during the first quarter of 2005. Consequently, a charge of SEK 1,197,000 was made against profit for the year.

The former President had an agreement that entitled him to retire at age 60 with compensation amounting to 60 per cent of normal salary between the age of 60 and 65, after which a premium-based occupational pension is paid. Pension premiums were expensed for this purpose as shown in the table below. The pension premium includes final payment of occupational pension premiums in an amount of SEK 3,967,000. The new President has

a pension agreement that entitles him to retire at the age of 65. However, under terms of the pension agreement, both the company and the President have the right, without special justification, to request early retirement at the age of 60, with a mutual six-month notice of termination. The employment agreement and pension agreement shall be rendered invalid from the effective date of the President's eventual early retirement. The pension agreement is solely premium-based, and the premium is computed as 35 per cent of the fixed annual salary. Pension premiums were expensed in 2005 as shown in the table below.

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 are based on both a fixed and variable salary. The variable part has an established upper limit and accounts for about 25-30 per cent of total salary, based mainly on the earnings trend. Some of these executives have agreements specifying mutual rights to request early retirement from age 60 or 62. In this case, compensation normally amounting to 60 per cent 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 – which do not apply when initiated by the individual. For the President and other senior executives, there is the opportunity to have a company car free of charge.

The Board of Directors resolved in 2005 to introduce a long-term incentive program for the President and other senior executives (about 25 persons) with significant influence on the Trelleborg Group's earnings per share. The program is an ongoing three-year program for which the Board will approve possible new programs annually. The program is cash-based and constitutes a supplement to the annual variable salaries provided the executive is employed by the Trelleborg Group as per December 31 in the year to which the program applies. The target value is the Trelleborg Group's earnings per share, with an annual improvement of 10 per cent, and includes costs for the program. For 2005, the Board established a goal of SEK 12.40 in earnings per share. Payments to senior executives have an upper cap, corresponding to 100 per cent of the average annual variable salary over the duration of the program. The result is calculated annually and accumulated over the three-year period, and possible payments are made in the first quarter of the year after the program expires. For the program approved for 2005, accordingly, payment will be made in the first quarter of 2008. The payments do not constitute pensionable income. For 2005, SEK 2,400,000 was charged against operating profit for this program.

Specification of salaries to President, Executive Vice Presidents and other senior executive officers

2005 SEK 000s	Base salary Board fee	Variable salary	Other benefits	Pension costs	Total
Chairman of the Board	730				730
Other Board members, 5 persons	1,380				1,380
Former President	4,058	2,697	112	6,899	13,766
New President	1,395	625	32	420	2,472
Executive Vice Presidents, two persons, effective October 1, 2005	5,272	1,866	351	1,219	8,708
Other senior executive officers, 11 persons at December 31, 2005	23,569	7,237	1,026	6,270	38,102
Total	36,404	12,425	1,521	14,808	65,158

In addition to the above, SEK 2,400,000 was expensed with regard to long-term incentive programs.

2004 SEK 000s	Base salary Board fee	Variable salary	Other benefits	Pension costs	Total
Chairman of the Board	600				600
Other Board members, 5 persons	1,125				1,125
President	6,755	6,122	159	3,565	16,602
Executive Vice President	4,373	328	323	96	5,120
Other senior executive officers, 11 persons at December 31, 2004	21,873	7,074	925	6,047	35,919
Total	34,726	13,524	1,407	9,708	59,366

Note 4

Auditors fees and reimbursements

SEK M	2005	2004
PricewaterhouseCoopers		
Audit assignment	26	22
Other assignments	6	4
Other auditors		
Audit assignment	0	4
Other assignments	0	5
Total	32	35

Note 5

Restructuring costs and impairment losses

SEK M	2005	2004
Restructuring costs and impairments within Automotive:		
– Logansport	–	–54
– Breuberg etc.	–	–179
– Metzeler	–	–24
Relocation of tire operations from the town of Trelleborg	–	–200
Measures related to the Trelleborg site and mixing operations	–	–103
Total	–	–560

sek m	2005 Impairment losses	2004 Restructuring costs
Trelleborg Automotive	–	–120
Trelleborg Engineered Systems	–	–43
Trelleborg Wheel Systems	–	–84
Total	–	–247

Impairment losses have been recognized in non-current assets to reflect their estimated value in use.

Note 6

Other operating revenue and expense

SEK M	2005	2004
Rental revenue	26	29
Exchange rate differences	58	41
Sale of tools, etc.	134	100
Sale of services	37	36
Relocation grant	0	20
Other	123	135
Total other operating revenue	378	361
Royalties	–8	–9
Operating costs for rental operations	–43	–41
Relocation costs	0	–29
Exchange rate differences	–62	–40
Other	–10	–16
Total other operating expense	–123	–135
Total	255	226

Note 7

Share of profit or loss in associated companies

SEK M	Profit before tax		Tax		Net profit		Dividend received	
	2005	2004	2005	2004	2005	2004	2005	2004
Trenor Holding AB	–	65	–	–18	–	47	–	–
Other associated companies	52	61	–19	–24	33	37	54	52
Total	52	126	–19	–42	33	84	54	52

Note 8

Costs distributed by cost item

SEK M	2005	2004
Costs for raw materials, components, finished goods, packaging material and energy and transport costs	–12,888	–12,022
Remuneration to employees	–7,024	–7,023
Depreciation/amortization and impairment losses	–846	–1,145
Other external costs related to sales, administration and research and development costs	–1,966	–1,833
Other operating income/expense	300	309
Share of profit in associated companies	33	37
Total	–22,391	–21,677

Note 9

Exchange rate differences that impact operating profit

SEK M	2005	2004
Net sales	–10	4
Cost of goods sold	1	26
Sales, administration and R&D costs	0	0
Other operating income/operating expense	–12	2
Total	–21	32

Note 10

Government grants

SEK M	2005	2004
Grants received	4	26
Total	4	26

Note 11

Financial income and expense

SEK M	2005	2004
Interest income from interest-bearing receivables	7	15
Total financial income	7	15

Financial expense

SEK M	2005	2004
Interest expense from interest-bearing liabilities	–221	–322
Exchange rate gains, net	2	20
Total financial expense	–219	–302
Total financial income and expense	–212	–287

Administration costs for treasury activities have been recorded in operating profit.

In the preceding year, they were included in financial expenses with –16

Note 12

Tax on profit for the year

SEK M	2005	2004
Current tax expense		
Tax expense for the period	–293	–288
Adjustment of tax attributable to past years	–3	–7
Total	–296	–295

Deferred tax expense		
Utilization/revaluation of losses carried forward	–92	30
Deferred tax expense/income from changes in temporary differences	49	93
Total	–43	123

Other taxes	–51	–46
Total reported tax expense for the Group	–390	–218

Tax items reported directly against equity		
Deferred tax on hedging instruments	–15	–18

Reconciliation of effective tax, %		
Swedish income tax	28%	28%
Effect of other tax rates for foreign subsidiaries	3%	5%
Non-deductible expense/non-taxable revenue	2%	1%
Amortization of goodwill	–1%	0%
Capital gains not subject to taxation	0%	–15%
Revaluation of loss carried forward/temporary differences	–11%	–10%
Tax attributable to past years	1%	0%
Tax rate	22%	9%
Other taxes	3%	4%
Reported effective tax for Group	25%	13%

At year-end 2005, the Group had loss as carry-forward of approximately SEK 3,800 M (4,500), of which SEK 900 M (1,300) was taken into account when calculating deferred tax. Of the losses carry-forward not capitalized, SEK 2,300 M pertains to cases where uncertainty exists regarding the tax value and SEK 600 M pertains to a loss carry-forward that the tax authorities have appealed in an administrative court of appeals. Of the losses carry-forward, about SEK 43 M fall due within the next five-year period.

Note 13

Minority interest in equity and profit of subsidiaries

sek m	Minority share in profit/ loss for the year		Minority interest	
	2005	2004	2005	2004
Trelleborg Kunhwa Co Ltd	-12	-6	64	42
Wuxi Trelleborg Vibration Isolator Co Ltd	-1	-6	-	82
Other companies	-3	-2	8	4
Total	-16	-14	72	128

The minority interest in Wuxi Trelleborg Vibration Isolator Co Ltd was acquired in 2005, and most of the purchase price was paid in January 2006. This is recorded under other current liabilities.

Note 14

Property, plant and equipment

SEK M	2005	2004
Buildings	1,524	1,417
Land and land improvements	542	584
Plant and machinery	2,983	2,797
Equipment, tools, fixtures and fittings	367	361
New construction in progress and advance payments related to property, plant and equipment	251	240
Total	5,667	5,399

Depreciation of property, plant and equipment by function

Depreciation		
SEK M	2005	2004
Cost of goods sold	-611	-587
Selling expenses	-31	-31
Administrative expenses	-62	-106
R&D costs	-33	-27
Other operating expenses	-44	-57
Total	-781	-808

Impairment loss of property, plant and equipment by function

Impairment losses		
sek m	2005	2004
Cost of goods sold	-	-250
Administrative expenses	-	-51
Total	-	-301

Leasing agreements

The Group has entered into financial and operational lease agreements. Non-current assets held under finance lease agreements are recorded as property, plant and equipment and future payment obligations are recorded as a financial liability.

Leasing costs for assets held via finance lease agreements amounted to sek 2 m(2). Future payment obligations for finance leasing agreements fall due as follows:

SEK M	2005	2004
Year 1	1	5
Years 2-5	1	5
Later than 5 years	-	-

Leasing costs for assets held via operating lease agreements are reported among operating expenses, and amounted to sek 140 m (127). Future payment commitments for non-cancelable lease agreements amounted to sek 755 m (607) and fall due as follows:

SEK M	2005	2004
Year 1	119	89
Years 2-5	276	235
Later than 5 years	360	283

SEK M	Buildings		Land and land improvements		Plant and machinery		Equipment, tools, fixtures and fittings		New construction in progress and advance payments		Total PPE	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Accumulated cost	2,843	2,615	590	629	8,588	7,629	1,511	1,439	246	240	13,778	12,552
Accumulated depreciation according to plan	-953	-709	-73	-29	-5,533	-4,678	-1,136	-1,075	7	3	-7,688	-6,488
Accumulated revaluations	20	16	32	32	52	18	2	8	-	-	106	74
Accumulated impairment losses	-386	-505	-7	-48	-124	-172	-10	-11	-2	-3	-529	-739
Residual value	1,524	1,417	542	584	2,983	2,797	367	361	251	240	5,667	5,399
Balance, January 1	1,417	1,615	584	632	2,797	2,964	361	332	240	235	5,399	5,778
Reclassifications	-	30	-	3	-	-23	-	1	-	-53	0	-42
Acquisitions	1	46	-	0	19	95	5	0	-	0	25	141
Capital expenditures	57	40	7	15	377	471	104	113	147	202	692	841
Divestments and disposals	-25	-34	-47	-14	-11	-38	-3	-4	-1	0	-87	-90
Depreciation according to plan for the year	-85	-89	-3	-5	-571	-587	-122	-127	-	0	-781	-808
Impairment losses	-	-171	-	-37	0	-85	-	-6	-	-2	0	-301
Internal reallocations	36	11	-34	-2	124	67	-9	52	-153	-135	-36	-7
Translation difference for the year	123	-31	35	-8	248	-67	31	0	18	-7	455	-113
Residual value	1,524	1,417	542	584	2,983	2,797	367	361	251	240	5,667	5,399

The overall tax assessment value for the Group's Swedish properties amounted to sek 502 m(485), of which buildings accounted for sek 407 m(402).

Note 15

Intangible assets

SEK M	2005	2004
Capitalized expenditure for development work	311	177
Capitalized expenditure for IT	143	100
Concessions, patents, licenses, trademarks and similar rights	33	26
Goodwill	7,717	6,876
Advance payments related to intangible assets	4	1
Total	8,208	7,180

Impairment testing of goodwill

Goodwill is no longer amortized but tested for impairment annually or more frequently if there are indications of a decline in value. This testing is based on defined cash-generating units coinciding with the business areas applied in segment reporting.

The recoverable amount has been determined on the basis of calculations of value in use. These calculations proceed from future cash flows calculated on the basis of an internal assessment of the next five years and beyond with an assumed annual growth rate of 2 per cent. Changes in working capital and investment requirements have been taken into account. A discount rate of 7 per cent has been applied in the calculation of future cash flows. The debt/equity ratio has been assumed to be 100 per cent.

These calculations indicate no need for impairment.

A rate of growth reduced by half beyond the next five years and a discount rate of 8 per cent would still give a satisfactory margin for the reported goodwill values.

Impairment of intangible assets

SEK M	2005	2004
Development costs	–	–2
Total	–	–2

Goodwill by segment

Residual value	2005	2004
sek m		
Trelleborg Automotive	1,723	1,523
Trelleborg Sealing Solutions	4,776	4,358
Trelleborg Engineered Systems	702	499
Trelleborg Wheel Systems	234	224
Trelleborg Building Systems	282	272
Total	7,717	6,876

SEK M	Internally generated intangible assets		Acquired intangible assets								Total intangible assets	
	Capitalized expenditure for development work		Capitalized expenditure for IT		Concessions, patents and licenses		Goodwill		Advance payments related to intangible assets			
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Accumulated cost	355	188	281	137	139	75	7,717	6,876	5	1	8,497	7,277
Accumulated depreciation according to plan	–44	–11	–136	–35	–106	–49	–	–	–1	–	–287	–95
Accumulated impairment losses	–	0	–2	–2	–	–	–	–	–	–	–2	–2
Residual value	311	177	143	100	33	26	7,717	6,876	4	1	8,208	7,180
Balance, January 1	177	64	100	36	26	28	6,876	6,976	1	39	7,180	7,143
Acquisitions	–	–	–	–	14	–	315	64	1	–	330	64
Capital expenditures	155	126	28	12	0	3	–	–	1	29	184	170
Divestments and disposals	–	–	–	–1	–	–	–	–	–	–	–	–1
Internal reallocations	–	1	34	69	1	4	–	–	1	–67	36	7
Depreciation according to plan for the year	–31	–12	–24	–13	–10	–9	–	–	–	–	–65	–34
Impairment losses	–	–	–	–2	–	–	–	–	–	–	–	–2
Translation difference for the year	10	–2	5	–1	2	0	526	–164	0	0	543	–167
Residual value	311	177	143	100	33	26	7,717	6,876	4	1	8,208	7,180
Distribution of depreciation for the year												
Cost of goods sold	0	0	–3	–4	–3	–3	–	–	–	–	–6	–7
Selling expenses	–1	–10	–1	–1	–3	–2	–	–	–	–	–5	–13
Administrative expenses	0	–1	–19	–7	–4	–4	–	–	–	–	–23	–12
R&D costs	–30	–1	0	–	–	–	–	–	–	–	–30	–1
Other operating expenses	0	–	–1	–1	–	–	–	–	–	–	–1	–1
Total depreciation	–31	–12	–24	–13	–10	–9	–	–	–	–	–65	–34

Note 16

Related-party transactions

SEK M	Receivables from associated companies		Liabilities to associated companies		Sales to associated companies		Operating income from associated companies	
	2005	2004	2005	2004	2005	2004	2005	2004
	2005	2004	2005	2004	2005	2004	2005	2004
Associated companies	5	6	0	11	101	70	57	51
Total	5	6	0	11	101	70	57	51

Shares in associated companies

SEK M	2005	2004
Residual value, January 1	121	495
Investments	–	1
Acquisitions	3	–
Sales	–	–410
Dividend	–54	–52
Share of profit in associated companies	33	92
Translation differences	18	–5
Residual value, December 31	121	121

Company sek m	Domicile	Share of equity, %	Assets		Liabilities		Shareholders' equity		Net sales		Profit for the year		Residual value	
			2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Indirectly owned														
Dawson Manu. Co.	USA	45	366	335	135	114	230	221	673	644	57	72	104	99
Others			178	318	132	230	47	88	420	419	13	10	17	22
Total			544	653	267	344	277	309	1,093	1,063	70	82	121	121

Note 17

Financial non-current assets

SEK M	2005	2004
Holdings of other long-term securities	–	1
Receivables, associated companies	2	0
Plan assets	16	14
Financial assets valued at fair value via income statement	3	0
Other long-term assets	12	11
Total	33	26

Residual value corresponds to fair value.

Note 18

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

Company	Registration Number	Domicile	No. of shares	Ownership, %	Book value, sek m
Acewin Profits Ltd		Virgin Islands	1,000	100	61
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	0	100	48
Busak and Shamban Hong Kong Ltd		Hong Kong	484,674		1
Busak and Shamban Hankuk Ltd		South Korea	57,750	75	4
Busak and Shamban Japan KK		Japan	133	100	99
Busak and Shamban Polska Sp.oz.o		Poland	12,800	100	6
Busak and Shamban Soumi 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	0	100	28
Chemtrading Alpha Holding AG		Switzerland	100	100	3
Trelleborg Automotive Czech Republic S.r.o		Czech Republic	100,000	100	4
Trelleborg Automotive China Holding AB	556052-1485	Trelleborg	4,500,000	100	19
Trelleborg Automotive Poland Sp.oz.o		Poland	350	100	114
Trelleborg Automotive Slovakia s.r.o.		Slovakia	0	100	8
Trelleborg Corporation		USA	2,592	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	7,450	100	
Trelleborg Engineered Systems China Holding AB	556223-5910		1,000	100	10
Trelleborg Engineered Systems Group AB	556055-7711	Trelleborg	1,250	100	2
Trelleborg Fluid Solutions Czech Republic s.r.o.		Czech Republic	0	100	53
Trelleborg Gummi AG		Czech Republic	50	100	0
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 Forsheda Building AB	556053-5832	Bor	10,000	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 Sealing Solutions Denmark A/S		Denmark	36,000	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 Polyspace SAS		France	353,030	100	
Trelleborg Industrie SA		France	649,794	100	
Trelleborg Holdings Italia S.r.l		Italy	0	100	591
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
Trelleborg Viking AS		Norway	27,000	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	41	100	17,991
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	2	100	
Trelleborg Automotive Germany GmbH		Germany	20,453,000	100	
Busak + Shamban Deutschland GmbH		Germany	1	100	
Trelleborg Fluid Solutions Germany		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
Trelleborg Treasury AB	556064-2646	Stockholm	2,000	100	0
Trelleborg Wheels AB	556056-2620	Sävsjö	40,000	100	10
Trelleborg Wuxi Holding AB	556119-8820	Trelleborg	25,000	100	8
Trelltech AB	556054-9759	Trelleborg	28,000	100	375
Trelleborg Rubore AB	556325-7442	Kalmar	60,000	100	
TSS China Holding AB	556030-7398	Trelleborg	200,000	100	23
TSS Holdings Netherlands BV		Netherlands	2,310	100	10
TSS Holdings Sweden AB	556528-2737	Forsheda	2,501,000	100	160
Trelleborg Forsheda Sweden AB	556052-2996	Forsheda	8,640,000	100	
Velox AB	55600-4110	Trelleborg	1,000	100	6
Total, Parent Company					23,722

*The table shows directly owned subsidiaries and indirectly owned companies with annual sales that exceed SEK 250 m.

A complete list of companies is appended to the Annual Report filed with the Bolagsverket (Swedish Companies Registration Office).

Note 19

Deferred tax asset/tax liability

SEK M	2005			2004		
	Deferred tax assets	Deferred tax liability	Net	Deferred tax assets	Deferred tax liability	Net
Intangible assets	2	108	-106	41	96	-55
Land and buildings	110	100	10	164	101	63
Machinery and equipment	174	202	-28	146	190	-44
Financial non-current assets	4	9	-5	99	28	71
Inventories	75	4	71	56	9	47
Current receivables	15	4	11	12	5	7
Pension provisions	130	5	125	113	2	111
Other provisions	26	0	26	82		82
Non-current liabilities	49	0	49	45	191	-146
Current liabilities	140	3	137	92	4	88
Loss carry-forwards	343		343	403		403
Total	1,068	435	633	1,253	626	627
Offsetting of claims/liabilities	-286	-286		-527	-527	
Total	782	149		726	99	

Deferred tax assets/liabilities are offset when the deferred tax pertains to the same tax authority.

Change in deferred tax pertaining to temporary differences and losses carried forward

SEK M	Balance, January 1		Reported via income statement		Reported directly against shareholders' equity		Acquired/divested tax assets/liabilities		Translation differences		Balance, December 31	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Intangible assets	-55	-19	-48	-39			0		-3	3	-106	-55
Land and buildings	63	-20	-55	83			6		2	-6	10	63
Machinery and equipment	-44	-77	27	30			5		-11	-2	-28	-44
Financial non-current assets	71	19	29	8	-101	42			-4	2	-5	71
Inventories	47	34	19	15					5	-2	71	47
Current receivables	7	2	159	6	-157				2	-1	11	7
Pension provisions	111	15	-4	44		55	11		7	-3	125	111
Other provisions	82	158	-59	-87		8		1	3	2	26	82
Long-term liabilities	-146	-136	-11	33	199	-42			7	-1	49	-146
Current liabilities	88	107	-8	0	44	-17		5	13	-7	137	88
Losses carried forward	403	376	-92	30					32	-3	343	403
Total	627	459	-43	123	-15	46	11	17	53	-18	633	627

Note 20

Inventories

SEK M	2005	2004
Raw materials and consumables	903	810
Work in progress	366	324
Finished products and goods for resale	1,988	1,689
Contracted work in progress	5	0
Advances to suppliers	13	3
Summa	3,275	2,826

Impairment losses for obsolete inventories amounted to SEK 241 M (213).

Note 22

Prepaid costs and accrued income

SEK M	2005	2004
Interest	1	0
Tools	243	203
Other	196	200
Total	440	403

Note 21

Accounts receivable and other operating receivables

SEK M	2005	2004
Accounts receivable	4,843	4,420
Provision for doubtful accounts receivables	-99	-103
Bills receivable	48	45
Operating receivables, associated companies	2	6
Other current receivables	350	262
Derivates (Note 24)	148	73
Prepaid expenses and accrued income (Note 22)	440	403
Total	5,732	5,106
<i>of which, expected to be recovered after 12 months but within 5 years</i>		
Accounts receivable	0	1
Other current receivables	3	13
Prepaid expenses and accrued income	10	18
Total	13	32

Residual value corresponds to fair value. IAS 39 was not applied in the balance sheet for 2004 and derivative instruments were reported at residual value. The opening balance for 2005 with respect to derivative instruments has been adjusted by SEK 43 M as an effect of the conversion to IAS39.

Note 23

Interest-bearing receivables

SEK M	2005	2004
Interest-bearing receivables	2	10
Derivative instruments (Note 24)	42	23
Other financial assets valued at fair value via the income statement	49	0
Summa	93	33

Other financial assets valued at fair value via the income statement consist mainly of unlisted securities in various banks held by the Group subsidiaries Wuxi International in China and Trelleborg Kunhwa Ltd in Korea. The financial assets have an effective interest rate of 2.60 per cent and a maturity term of 4 months.

The reported amounts represent an accurate estimation of their fair value.

Note 24

Financial derivative instruments

Derivative instruments are used mainly 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.

Foreign-exchange forwards and currency options are financial derivative instruments used to hedge 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 fair value of derivatives is reported gross under current assets/liabilities or interest-bearing assets/liabilities, depending on the purpose for which the derivatives are used.

The table below shows where the Group's financial derivative instruments are reported in the balance sheet.

Specification of derivatives in the balance sheet	2005	2004
Other current operating receivables	148	73
Interest-bearing receivables	42	23
Total receivables, financial derivatives	190	96
Current operating liabilities included in working capital	12	0
Other current operating liabilities	125	103
Interest-bearing liabilities	159	27
Total liabilities, financial derivatives	296	130

Type and purpose of Group's financial derivative instruments	2005		2004	
	Assets Fair value	Liabilities Fair value	Assets Fair value	Liabilities Fair value
Interest-rate instruments – cash flow hedging	78	58	62	66
Foreign-exchange forwards – cash flow hedging	24	37	44	48
Foreign-exchange forwards – commercial undertakings	34	21	0	2
Foreign-exchange forwards – net investment hedging	23	0		
Currency options – net investment hedging		140		
Foreign-exchange forwards – financing of subsidiaries	31	40	33	38
Total	190	296	139	154

IAS 39 was not applied in the balance sheet for 2004. The opening value of derivative instruments in 2005 has been adjusted by sek 19 m net as an effect of the conversion to IAS 39.

The fair value of interest swaps and currency forwards includes the accrued interest.

Derivatives with hedge accounting

Cash flow hedging – interest instruments

Of the cash flow hedging, sek 9 m of the fair value related to interest-rate swaps has been transferred to other reserves within equity.

At unchanged interest and exchange rates, this value will improve earnings in 2006 by sek 1.6 m by sek 0.8 min 2007 and sek 7 min 2008.

The nominal amount of outstanding interest-rate swaps totaled sek 5,678 m(7,712).

Cash flow hedges – forward currency contracts

Of the cash flow hedges, negative sek 2 m of the fair value related to forward currency contracts has been transferred to other reserves in shareholders' equity.

At unchanged interest and exchange rates, this value will reduce operating profit in 2006 by sek 2.7 m and improve earnings by sek 0.7 min 2007.

Hedging of net investments in foreign units

Investments in foreign subsidiaries and associated companies are covered partly by currency hedging through forward currency contracts and currency options. Exchange rate losses amounting to a net expense of sek 117 m were reported under other reserves in shareholders' equity.

Note 25

Cash and cash equivalents

The Group's cash and cash equivalents amount to sek 663 m (475), of which sek 10 m (1) comprise current bank investments with maturity terms of less than three months from dates of acquisition. The effective interest rate for bank investments was 2.75 per cent.

Note 26

Equity

Changes in equity are presented on page 57.

Specification of other reserves

sek m	Hedging reserve		Translation reserve		Total	
	2005	2004	2005	2004	2005	2004
Opening balance	–	–	–183	–	–183	–
<i>Cash flow hedging</i>						
Adjustment of opening balance in accordance with IAS 39.	27				27	
Tax on adjustment of opening balance in accordance with IAS 39.	–8				–8	–
Fair value	–2				–2	–
Tax on fair value	1				1	–
Transfers to income statement	–21				–21	–
Tax on transfers to income statement	6				6	–
Hedges transferred to reserves	3				3	–
Tax on hedges transferred to reserves	–1				–1	–
Change during the year from translations of subsidiary accounts		1 008	–306	1 008	–306	
Exchange rate differences on hedging instruments after tax	–	–	–229	123	–229	123
Closing balance	5	–	596	–183	601	–183

Accumulated translation differences are recorded from Jan 1, 2004.

The Board of Directors and President propose a dividend of sek 5.50 (5.00) per share, totaling approximately sek 497 m(452).

Trelleborg AB's share capital at December 31, 2005 amounted to sek 2,399,509,025, being 95,980,361 shares, with 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	2005	2004
January 1	95,980,361	91,470,418
New share issue in connection with exercise of warrants	–	1,353,006
New share issue in connection with conversion of debentures	–	3,156,937
December 31	95,980,361	95,980,361

Change in number of own shares	2005	2004
January 1	6,263,100	7,179,100
Exercise of warrants	–640,000	–916,000
December 31	5,623,100	6,263,100
Number of shares at year-end, excluding own holdings	90,357,261	89,717,261

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 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 redemption of the 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 year 2000 was October 1, 2002 – March 31, 2003. The redemption price was sek 78. These options expired with no subscriptions for shares. The redemption period for options from year 2001 was October 1, 2003 – March 31, 2004. The redemption price was sek 86. Of these options, 916,000 were exercised for share subscription in 2004. The redemption period for options from 2002 is October 1, 2004 – March 31, 2005. The redemption price was sek 122. Of these options, 640,000 were exercised for share subscription in 2005. No new shares were issued and these options were redeemed with previously repurchased shares. 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 was 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 warrants were redeemed, which is reported as a new issue of 1,353,006 shares, with a total value of sek 89 m

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. The conversion period was February 21, 2003 – April 15, 2004. In 2004, sek 207 m of the convertible loan was converted to shares, which is reported as a new issue of 3,156,937 shares.

Note 27

Other provisions

SEK M	Restructuring programs in acquired units		Other restructuring programs		Other provisions		Total	
	2005	2004	2005	2004	2005	2004	2005	2004
Opening balance	97	362	157	–	276	222	530	584
Reclassification to non-current assets		–42						–42
Reversals	–2		–15		–9		–26	
Provisions for the year		24		196	122	137	122	357
Utilized during the year	–58	–248	–76	–30	–92	–90	–226	–368
Translation difference	1	1	2	–9	17	7	20	–1
Closing balance	38	97	68	157	314	276	420	530
Of which, non-current provisions							242	253
Of which, current provisions							178	277

Of the year's utilization from restructuring reserves in acquired units totaling SEK 58 M, SEK 51 M was attributable to the acquisition of Polymer Sealing Solutions and SEK 7 M to business combinations within Trelleborg Automotive.

Provisions for other restructuring programs include SEK 55 M for the transfer of tire operations from the town of Trelleborg and other measures related to the Trelleborg site and restructuring costs of SEK 13 M related to Trelleborg Automotive.

Other provisions include SEK 80 M for a guarantee concerning the valuation of Bröderna Edstrand in the event of a future divestment.

Note 28

Pension provisions and similar

Specification of costs		2005	2004
SEK M			
<i>Cost of defined-benefit plans</i>			
Costs for to services during current year		59	55
Interest on the obligation		66	59
Anticipated return on plan assets		–26	–27
Actuarial gains and losses reported for the year		2	0
Curtailment and settlement losses		–6	3
Total cost of defined-benefit plans		95	90
Cost of defined-contribution plans		156	113
Total pension costs		251	203

Actual return on plans assets amounts to SEK 30 M.

Change in pension liability in balance sheet		Defined-benefit plans	
SEK M		2005	2004
Opening balance		776	775
Net expense recorded in the income statement		95	90
Benefit payments		–139	–114
Increase attributable to business combinations		39	35
Translation difference		43	–10
Closing balance		814	776
of which, unfunded obligations		705	682
of which, funded obligations		109	94

Specification of pension liability in the balance sheet		2005	2004
SEK M			
<i>Defined-benefit plans</i>			
Present value of funded obligations		1 504	1 221
Fair value of plan assets		–563	–330
		941	891
Unrecorded actuarial gains		28	9
Unrecorded actuarial losses		–155	–114
Translation difference		–	–10
Total defined benefit plans		814	776
Defined-contribution plans		12	11
Total pension liability		826	787
of which reported as plan assets		16	14
Closing balance, pension liability		842	801

Important actuarial assumptions on the balance sheet date, %	UK	US	Euro zone	Sweden	Norway	Canada	Japan
Discount rate at December 31	5.00	5.50	3.85	3.60	4.40	5.25	2.00
Anticipated return on pension 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	2.40	2.50	1.00
Future annual wage increases	3.60	3.50	3.00	3.00	3.40	3.50	2.00

Defined benefit plans

The Group has several defined benefit plans, 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, the UK, Italy 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 (URA 42), this constitutes a multi-employer plan. For the 2005 financial year, the company did not have access to such information that would 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 total SEK 21 M (23). Alecta's surplus can be distributed to the policyholders and/or the insured. At December 31, 2005, Alecta's surplus corresponded to a collective consolidation ratio of 128.5 per cent (128.0). The collective consolidation ratio reflects the market value of Alecta's assets as a per centage of insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not correspond with IAS 19.

Reporting in accordance with alternative method IAS 19

Reporting in accordance with the alternative method would have resulted in a net reduction in the Group's equity of SEK 89 M after tax and a reduction in capital employed of SEK 127 M.

Note 29

Interest-bearing liabilities

Non-current interest-bearing liabilities

sek m	2005	2004
Liabilities to credit institutions	5,880	7,140
Other interest-bearing liabilities	11	10
Total	5,891	7,150

Interest-bearing current liabilities

sek m	2005	2004
Liabilities to credit institutions	1,633	36
Bank overdraft facilities	311	245
Other interest-bearing liabilities	3	2
Derivative financial instruments	159	27
Total	2,106	310
Total interest-bearing liabilities	7,997	7,460

Liabilities are reported at amounts approximate to their fair value.

Bank overdraft facilities

SEK M	2005	2004
Credit limit approved	1,393	1,100
Of which utilized	311	245
Unutilized portion	1,082	855

The Group's outstanding interest-bearing liabilities at year-end 2005, adjusted for derivative financial instruments, have the following currency distribution, effective interest rates and fixed-interest terms

	Volume, SEK M		Effective rate, %		Fixed-interest term adjusted for possible derivatives No. of days	
	2005	2004	2005	2004	2005	2004
SEK	318	-663	3.0	2.0	209	35
USD	1,573	1,751	3.2	3.1	175	525
EUR	4,728	5,011	2.7	2.8	348	308
GBP	868	751	4.5	4.8	208	448
Other	510	610	4.0	2.0	67	30
Total	7,997	7,460	3.1	3.1	275	375

Financial derivative instruments are reported in Note 24.

The Group's approved overdraft facilities

	2005		2004	
	Volume, SEK M	Expires, year	Volume, SEK M	Expires, year
<i>Non-current</i>				
Syndicated loan, EUR 750 M	7,079	2010		
Syndicated loan, USD 600 M	4,772	2010		
Bond loan, EUR 40 M	378	2011	361	2011
Bond loan, SEK 130 M	130	2007		
Syndicated loan, USD 600 M*			3,968	2007
Syndicated loan, EUR 540 M*			4,869	2008
Other non-current loans			109	2006
<i>Current</i>				
Commercial paper program**	1,574	2006		
Overdraft facilities	1,393	2006	1,100	2005
Other current loans	120	2006		
Total	15,446		10,407	

The Group's current, non-committed credit lines amounted to approximately sek 2,100 mat year-end 2005. The loan agreements include the customary clauses. In addition to these, the syndicated loans include certain financial covenants pertaining to a debt/equity ratio that may not be exceeded and a certain interest coverage ratio that must be maintained. At year-end 2005, there was a secure margin for both.

The Group's medium-term and non-current financing is based on a syndicated loan that was raised in March 2005. The loan is divided into two tranches, with one tranche amounting to EUR 750 M and the other amounting to USD 600 M and expires in March 2010. The loan can be extended to no later than 2012, after approval by the Group's banks.

* These syndicated loans were refinanced in March 2005 and replaced by a new syndicated loan.

** Shows amount utilized at year-end.

Note 30

Non interest-bearing liabilities

Other non-current liabilities

sek m	2005	2004
Other non interest-bearing liabilities	43	44
Total	43	44

Accounts payable and other operating liabilities

sek m	2005	2004
Advance payment from customers	41	29
Accounts payable	3,012	2,530
Bills payable	13	8
Liability to associated company	0	11
Other non interest-bearing liabilities	370	331
Current liability to former minority shareholder in Wuxi	126	-
Derivative financial instruments (Note 24)	125	103
Accrued expenses and prepaid income (Note 31)	1,278	1,245
Total	4,965	4,257
Total non interest-bearing liabilities	5,008	4,301

IAS 39 was not applied in the balance sheet for 2004, and derivative financial instruments are reported at residual value. The opening value of derivative financial instruments in 2005 has been adjusted by sek 24 M as an effect of the conversion to IAS 39.

Accounts payable and other operating liabilities

expected to be paid after 12 months but within five years

SEK M	2005	2004
Tax liability	0	7
Accrued expenses and prepaid income	1	15
Total	1	22

Liabilities are reported at amounts corresponding to fair value.

Note 31

Accrued expenses and prepaid income

SEK M	2005	2004
Interest	62	62
Wages and salaries	482	450
Payroll overheads	148	194
Tools	40	14
Derivative financial instruments (Note 24)	12	-
Other	534	525
Total	1,278	1,245

Note 32

Contingent liabilities and pledged assets

SEK M	2005	2004
<i>Contingent liabilities</i>		
Pension obligations	8	6
Guarantees and other contingent liabilities	203	202
Total	211	208

SEK M	2005	2004
<i>Pledged assets</i>		
Plants and machinery	44	37
Total	44	37

Note 33

Acquisitions

Several small and midsize acquisitions were made in all business areas during the year; see also page 11.

Trelleborg Automotive acquired:

Outstanding 45 per cent of shares in the Chinese company Wuxi Trelleborg Vibration Isolator Co Ltd. Most of the purchase price was paid in January 2006.

Trelleborg Sealing Solutions acquired:

Sealing operations of the Indian distribution company Rollon Hydraulics Pvt in India.
The operations of Chase-Walton Elastomers Inc, in the US

Trelleborg Engineered Systems acquired:

Mechanical equipment and other assets related to the market segment marine fender systems from Metso Minerals.

Operations related to tunnel sealing product area from VIP Heinke Ltd.

Established a joint venture with Etablissements Bloch SA in France.

Minority holding corresponding to ownership interest of 25% in Ou Saare Martex in Estonia.

The operations of Armwest Pty Ltd in Australia.

The operations of Andre Structural Bearings in the UK.

Dunlop GRG Holdings in the UK.

Trelleborg Wheel Systems acquired:

Entered joint venture agreement with Al Dobowi Ltd. The new company, Trelleborg Wheel Systems Middle East Ltd is based in Dubai, United Arab Emirates.

French company CIMAP Roues Industrielles SAS

Trelleborg Building Systems acquired:

Building Systems has acquired VA Forum.

SEK M	2005
Total purchase price	494
Fair value of acquired assets	179
Goodwill	315
Acquired assets:	
Property, plant and equipment	25
Intangible assets	15
Deferred tax	11
Associated companies	3
Operating assets	86
Cash and cash equivalents	11
Minority shareholdings	102
Operating liabilities	-63
	190
Cash and cash equivalents	-11
	179

Of the total purchase price amounting to SEK 494 M, SEK 368 M was paid during 2005.

Most of the acquisitions consisted of acquired assets and liabilities.

Note 34

Events after year-end

Acquisitions

In January 2006, Trelleborg Building Systems acquired the remaining 70 per cent of the shares in the Czech company ECS, Elastomer Compounding s.r.o. The company produces rubber compounds used mainly by manufacturers of profiled products for the construction and industrial sector. ECS has annual sales of about SEK 75 M and the unit has 40 employees.

In January 2006, Trelleborg Engineered Systems acquired CRP Group, an engineering company with annual sales of slightly more than SEK 1,000 M and 500 employees, primarily in the UK and the US. The operations of CRP are related mainly to systems for subsea oil/gas projects. The purchase price amounted to approximately SEK 950 M.

In February 2006, Trelleborg Building Systems acquired EPG Inc, with about 140 employees and annual sales of approximately SEK 170 M.

Note 35

Employees and costs

Average number of employees

	2005			2004		
	Women	Men	Total	Women	Men	Total
Sweden	35	40	75	31	39	70

Absence due to illness	2005	2004
Absence due to illness as a percentage of normal working hours for		
– women	1.2	1.3
– men	0.5	0.2
– employees under age 30	0.3	0.0
– employees age 30–49	0.6	0.5
– employees age 49–	1.4	0.1
– all employees	0.8	0.7

Absence for a continuous period of 60 days or more as a percentage of total absence due to illness	–	–
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Gender distribution in executive management positions, %	2005	2004
Percentage of women in executive positions	20	11
on Board of Directors	18	18

Fixed and variable salary, other remuneration and social security expenses

2005	Board and President	Other members of Group Management	Other employees	Total salaries	Social security expenses	of which, pension costs
SEK M						
Sweden	12	15	41	68	45	21

See also Note 3.

2004	Board and President	Other members of Group Management	Other employees	Total salaries	Social security expenses	of which, pension costs
SEK M						
Sweden	14	15	34	63	41	16

Note 36

Auditors' fees and reimbursements

SEK M	2005	2004
PricewaterhouseCoopers		
Audit assignment	2	2
Other assignments	4	2
Other auditors		
Audit assignment	0	1
Other assignments	0	1
Total	6	6

Note 37

Other operating revenue and expenses

SEK M	2005	2004
Sales of services to other Group companies	125	88
Sales of external services	3	2
Other	83	61
Total other operating revenue	211	151
Impairment loss on receivable	–	–7
Other	–1	–4
Total operating expenses	–1	–11
Total	210	140

Note 38

Cost items in income statement

SEK M	2005	2004
Remuneration to employees	–109	–104
Depreciation/amortization and impairment losses	–3	–1
Other external administration costs	–215	–176
Other operating income/expense	210	140
Total	–117	–141

Note 39

Exchange rate differences that impact operating profit

SEK M	2005	2004
Administration costs	–2	–1
Other operating income/expense	2	1
Total	0	0

Note 40

Depreciation of PPE and intangible assets according to plan

SEK M	2005	2004
Buildings	0	0
Equipment, tools, fixtures and fittings	–3	–1
Expensed costs for R&D and similar	0	–
Total	–3	–1

Note 41

Financial income and expense

SEK M	2005	2004
Income from investments in Group companies		
Dividend	334	3819
Impairment losses on shares in subsidiaries	–797	–709
Gain/loss from sale	0	81
Total	–463	3191
Gain/loss from other securities and receivables that are non-current assets		
Interest income, Group companies	51	199
Interest income, other	–	2
Exchange rate differences	12	38
Gain/loss on sale/impairment losses	–	1
Total	63	240

Other interest income and similar profit/loss items		
Interest income, Group companies	285	302
Interest income, other	3	9
Exchange rate differences	180	–98
Total	468	213

Interest expense and similar profit/loss items		
Interest expense, Group companies	–558	–56
Interest expense, other	–59	–288
Exchange rate differences	–207	116
Total	–824	–228
Total financial income and costs	–756	3416

Note 42

Tax on profit for the year

SEK M	2005	2004
Current tax expense		
Tax expense for the period	-1	-1
Adjustment of tax attributable to prior years	-1	-
Total	-2	-1
Deferred tax expense (-)/revenue (+)		
Utilization of losses carried forward	-54	-26
Revaluation of losses carried forward	84	-84
Deferred tax expense/revenue from changes in temporary differences	158	-
Total	188	-110
Total reported tax expense	186	-111
Reconciliation of effective tax, %		
Swedish income tax, %	28	28
Non-taxable dividends/income from shares in subsidiaries, %	11	-33
Non-deductible impairment losses, %	-26	6
Other non-deductible expense/non-taxable revenue, %	-1	0
Utilization/revaluation of losses carried forward	10	2
Tax attributable to prior years, %	-1	-
Reported effective tax, %	21	3
Tax items reported directly against shareholders' equity		
opening balance, in accordance with IAS 39	-74	-
Deferred tax on fair-value gains	-45	-
Deferred tax on Group contributions granted/received	-85	13

At year-end 2005, Trelleborg AB had losses carried forward of approximately SEK 629 M (1,125), of which SEK 29 M (225) was recognized in the calculation of deferred tax. The losses carried forward of SEK 600 M not recognized pertains to a losses carried forward that Swedish tax authorities have brought before the Fiscal Court of Appeal.

Note 43

Property, plant and equipment

SEK M	2005	2004
Buildings	3	3
Equipment, tools, fixtures and fittings	8	8
Total	11	11

	Buildings		Equipment, tools, fixtures and fittings		Total PPE	
SEK M	2005	2004	2005	2004	2005	2004
Accumulated cost						
Balance, January 1	4	4	25	23	29	27
Capital expenditures	-	-	3	2	3	2
Divestments and disposals	-	-	-9	0	-9	0
Accumulated cost, December 31	4	4	19	25	23	29
Accumulated depreciation according to plan						
Balance, January 1	-1	-1	-17	-16	-18	-17
Divestments and disposals	-	-	9	0	9	0
Depreciation according to plan for the year	0	0	-3	-1	-3	-1
Accumulated depreciation according to plan, December 31	-1	-1	-11	-17	-12	-18
Planned residual value, December 31	3	3	8	8	11	11
Tax assessment values, buildings	2	2				
Tax assessment values, land	1	1				

Trelleborg AB has entered operating lease agreements. Leasing costs for assets held via operating lease agreements are reported as operating costs and amounted to SEK 7 M (4). Future payment for non-cancelable lease commitments amount to SEK 15 M (6) and fall due as follows:

SEK M	2005	2004
Year 1	7	3
Years 2-5	8	3

Note 44

Intangible assets

SEK M	2005	2004
Capitalized expenditure for IT	10	-
Total	10	-

	Capitalized expenditure for IT	
SEK M	2005	2004
Accumulated acquisition value		
Balance, January 1	-	-
Capital expenditures	10	-
Divestments and disposals	-	-
Accumulated acquisition value, December 31	10	-
Accumulated amortization according to plan		
Balance, January 1	-	-
Divestments and disposals	-	-
Amortization according to plan for the year	0	-
Accumulated amortization according to plan, December 31	0	-
Planned residual value, December 31	10	-

Note 45

Financial non-current assets

SEK M	2005	2004
Shares in group companies (Note 18 and Note 46)	23,722	9,293
Changes in group companies	2,939	7,524
Shares in other companies	0	0
Total	26,661	16,817

Note 46

Shares in group companies

SEK M	2005	2004
Balance, January 1	9,293	5,564
Add:		
Acquisitions	114	3,568
Shareholders' contribution	15,000	870
New share issue	112	-
Less:		
Divestment	0	0
Impairment losses	-797	-709
Balance, December 31	23,722	9,293

See also Note 18.

Note 47

Change in deferred tax on temporary differences and losses carried forward

	Temporary differences:				Total deferred tax	
	Losses carried forward	Non-current receivable	Current liabilities		2005	2004
SEK M	2005	2004	2005	2004	2005	2004
Balance, January 1	63	160			63	160
Reported over income statement:					0	0
- Utilization of losses carried forward	-54	-26			-54	-26
- Revaluation of losses carried forward	84	-84			84	-84
- Temporary differences			-4	162	158	
Recorded directly against equity:					0	0
- Deferred tax on adjustment of equity on January 1 in accordance with IAS 39		100	-174		-74	0
- Deferred tax on fair-value gains		-96	51		-45	0
- Tax on Group contributions received/granted	-85	13			-85	13
Total	8	63	0	39	47	63

See also Note 42

Note 48

Inventories

SEK M	2005	2004
Finished products and goods for resale	1	1

Note 49

Current receivables

SEK M	2005	2004
Accounts receivable	0	0
Operating receivables, group companies	8	25
Other current receivables	14	112
Prepaid expenses and accrued income (Note 50)	17	84
Total accounts receivable and other receivables	39	221

Residual value corresponds to fair value.

Note 50

Prepaid expenses and accrued income

SEK M	2005	2004
Interest and other financial items	0	73
Other	17	11
Total	17	84

Note 51

Interest-bearing receivables

SEK M	2005	2004
Financial receivables, Group companies	1,324	5,043
Total interest-bearing receivables	1,324	5,043

Residual value corresponds to fair value.

Note 52

Shareholders' equity

	Restricted equity		Non-restricted equity		Total	
SEK M	2005	2004	2005	2004	2005	2004
Opening balance, January 1	3,530	3,235	4,271	1,457	7,801	4,692
Adjustment of opening balance in accordance with IAS 39			264		264	
Tax on adjustment of opening balance in accordance with IAS 39			-74		-74	
Changes for the year:						
Transfer between restricted and non-restricted equity		-1		1	0	0
Dividend			-452	-396	-452	-396
Fair-value gains			159		159	
Tax on fair-value gains			-45		-45	
New share issue in connection with loan conversion		207			207	
New share issue in connection with exercise of warrants		89			89	
Divestment of own shares at exercise of call options			78	79	78	79
Group contributions			304	-47	304	-47
Tax on Group contributions			-85	13	-85	13
Net profit/loss for the year			-687	3,164	-687	3,164
Closing balance, December 31	3,530	3,530	3,733	4,271	7,263	7,801

Trelleborg AB's share capital at December 31, 2005 amounted to sek 2,399,508,025, distributed among 95,980,361 shares with a par value of sek 25 each. At January 1, 2005, Trelleborg AB held 6,263,100 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 640,000 shares. At year-end 2005, Trelleborg AB held 5,623,100 of the company's own shares. The total number of outstanding shares at year-end 2005 was 90,357,261.

Class of shares	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 26.

Note 53

Provisions for pensions and similar

SEK M	2005	2004
Provisions for pensions	4	4
Total	4	4

Pensions and similar costs amounted to sek 17 m(16).

Note 54

Other provisions

SEK M	2005	2004
Provisions for environmental commitments	2	2
Provisions for contract obligations	8	-
Other provisions	8	-
Total	18	2

Of which sek 14 m(2) is reported as a current provision.

Note 55

Interest-bearing liabilities

Interest-bearing non-current liabilities

sek m	2005	2004
Liabilities to credit institutions		7,571
Other interest-bearing liabilities to Group companies	361	5,866
Total non-current interest-bearing liabilities	361	13,437

Interest-bearing current liabilities

sek m	2005	2004
Liabilities to credit institutions	-	27
Bank overdraft facilities	-	229
Other interest-bearing liabilities to Group companies	20,332	379
Total interest-bearing current liabilities	20,332	635
Total interest-bearing liabilities	20,693	14,072

Liabilities to credit institutions

sek m	2005	2004
Due dates 1-5 years from balance sheet date	-	7,210
Due dates later than 5 years from balance sheet date	-	361

Bank overdraft facilities

sek m	2005	2004
Approved credit limit	-	1,010
Unutilized portion	-	-781
Amount utilized	-	229

Liabilities are recorded at amounts corresponding to fair value.

Note 56

Other current liabilities

SEK M	2005	2004
Accounts payable	28	37
Operating liabilities, Group companies	0	0
Other non interest-bearing liabilities	46	5
Accrued expenses and prepaid income (Note 57)	41	252
Total	115	294

Liabilities are recorded at amounts corresponding to fair value.

Note 57

Accrued expenses and prepaid income

SEK M	2005	2004
Interest and other financial items	0	213
Wages and salaries	18	20
Payroll overheads	7	8
Severance pay	0	-
Other	16	11
Total	41	252

Note 58

Contingent liabilities and pledged assets

SEK M	2005	2004
Contingent liabilities		
Pension obligations	1	1
Guarantees and other contingent liabilities	725	630
Total	726	631
Of which, on behalf of subsidiaries	533	443
Pledged assets	-	-

Proposed treatment of unappropriated earnings

The Board of Directors and the President propose that the profit brought forward from the preceding year, SEK 000s	4,420,635
and the result for the year, SEK 000s	-687,451
Total, SEK 000s	3,733,184

be distributed in the following manner:

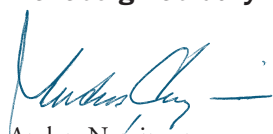
A dividend of SEK 5.50 per share be paid to the shareholders, SEK 000s	496,965
balance to be carried forward, SEK 000s	3,236,219
Total, SEK 000s	3,733,184

It is the view of the Board that the proposed dividend will not prevent the Company from meeting its current and non-current obligations nor from completing necessary investments. Consequently, the proposed dividend is justifiable with regard to the stipulations of Chapter 3, paragraphs 2-3 of the Swedish Companies Act (the "prudence principle").

The proposed dividend increases the Group's debt/equity ratio to 80 per cent. It is deemed possible to maintain the liquidity of the Group at an adequate level.

The Board of Directors and President of Trelleborg AB affirm that, to the best of our knowledge, the Annual Report has been prepared in accordance with the generally accepted accounting policies for listed companies in Sweden, the information presented agrees with actual conditions and nothing of significance has been omitted that could affect the perception of the company conveyed by the Annual Report.

Trelleborg February 14, 2006


Anders Narvinger
Chairman


Heléne Bergquist


Rolf Larsson


Berthold Lindqvist


Rolf Kjellman


Claes Lindqvist


Staffan Bohman


Kim Davidsson


Alf Fredlund


Karin Linsjö


Peter Nilsson
President

Audit report issued February 17, 2006.

PricewaterhouseCoopers AB


Göran Tidström
Authorized Public Accountant
Auditor in charge


Olov Karlsson
Authorized Public Accountant

Audit report for Trelleborg AB

Corporate registration number 556006-3421

To the Annual General Meeting of 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 2005 financial year. These accounts and the administration of the company and the application of the Annual Accounts Act when preparing the consolidated accounts and for the IFRS international accounting standards, to the extent they have been adopted by EU, and the annual 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 random 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,

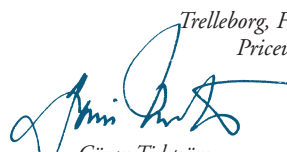
acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

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 Company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with IFRS international accounting standards, to the extent they have been adopted by EU, and provide a true and fair view of the Group's profit and financial position. 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 Board of Directors' report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Trelleborg, February 17, 2006

PricewaterhouseCoopers AB


Göran Tidström
Authorized Public Accountant
Auditor in charge


Olov Karlsson
Authorized Public Accountant

Report by the Board of Directors on internal control with respect to the financial accounts for fiscal year 2005

The Board of Directors, in accordance with the Swedish Companies Act and Swedish regulations, is responsible for the company's compliance with internal control regulations. This report was prepared in accordance with Swedish corporate governance regulations, chapters 3.7.2 and 3.7.3, and, accordingly, is limited to internal control of the financial accounts. This report does not constitute a section of the formal annual report documents and has not been reviewed by the company's auditors.

Organization of internal control with respect to the financial accounts

Trelleborg has defined internal control in a broader perspective as a process that is influenced by the Board of Directors, executive management and other employees and formulated to provide a reasonable assurance that Trelleborg's goals are achieved in terms of appropriate and effective business activities, reliable financial reporting and compliance with applicable legislation and regulations. The process is based on a control environment that creates discipline and structure for the other four components of the process, namely risk assessment, control structures, information and communication and follow-up. The departure point for the process is the framework for internal control issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

The information below presents a description of how internal control, limited to financial reporting, is organized, with the purpose of providing reasonable security with regard to the reliability of external financial reporting and to whether financial reports are prepared in accordance with good accounting praxis, applicable legislation and regulations, as well as other requirements to which listed companies are subject.

Control environment

Decision-making channels, authorization and responsibility are defined in the Board's agenda, instructions for the audit committee established by the Board in 2005 and instructions for the President, and in the authorization and division of responsibility that pertains to the legal and operational organizations.

Trelleborg has a number of policies, manuals and regulations that contain binding rules and a number of recommendations that provide guidelines and instructions for operations and employees, such as a Code of Conduct, Financial Manual, Financial Policy and Communications Policy.

The control instruments named above, combined with laws and regula-

tions, including the Swedish Code of Corporate Governance, comprise pertinent regulations for publicly listed companies, and the articles of association provide the foundation for the so-called control environment.

Risk assessment

The company's process for risk assessment, including identification of significant risks to which the company is exposed with respect to the financial accounts, is the basis for control and control level requirements within the parameters established by the Board of Directors and the President.

A comprehensive risk assessment of the financial accounts was conducted during fiscal year 2005 to identify the areas in which these risks lie within the organization and its processes.

The risk assessment was led by the corporate Internal Control function, a new function that was established during 2005 and reports to the Group CFO. The risk assessment was conducted partly in the form of a decentralized analysis based on uniform and structured self-evaluations conducted by all operating units and partly in the form of a centrally managed analysis based on the Board's and executive management's experience, as well as information retrieved from the central organization, other staff functions and auditing notes.

The risk assessment has resulted in a more clearly defined target image with respect to the direction of continued efforts to further develop and improve internal control of the financial accounts.

Control structures

The identified significant risks that impact the internal control with respect to the financial accounts are managed by the company's control structures. They are intended to ensure the fulfillment of fundamental requirements for the financial reports and are documented in process and internal control descriptions. Efforts to document the process and internal control descriptions in a uniform and structured manner were initiated during fiscal year 2005.

Ongoing work efforts are continuing to eliminate or reduce identified significant risks that impact the internal control with respect to financial reporting within the parameters established by the Board and executive management. The work includes development and improvements of control activities and systems in order to prevent, discover and correct errors and deviations. The work also includes further training for the employees.

Information and communication

Trelleborg has internal information and communication channels intended to support completeness and accuracy in the

Group's financial reporting, for example, by providing access to and knowledge of control documents in the form of policies, manuals and recommendations concerning financial reporting for all affected employees. In addition, results of the company's work with internal controls related to financial reports have been submitted periodically to executive management and the audit committee.

During fiscal year 2005, Trelleborg introduced a "whistle blower policy" that makes it easier for employees to anonymously inform executive management about eventual disparities with respect to both the business activities and financial reporting.

The external information and communication is controlled in part by the company's Communication Policy, which describes Trelleborg's general principles for the release of information.

Follow-up

In addition to its regular operational and financial follow-up, Trelleborg monitored the compliance of its control instruments during 2005 and the efficiency of its control structures through internal evaluations conducted by all operating units and structured follow-up meetings between the Internal Control staff function and the Group's legal and operating units.

Trelleborg's CFO and the Responsible of the Internal Control staff function report continuously on their internal control work concerning the financial accounts to the audit committee.

Trelleborg's controller function is responsible for the internal control's organizational structure with respect to the financial accounts and how well it functions within the different business areas. Since the Group has a decentralized mode of operations, the extent of this work varies between the different business areas. During fiscal year 2006, plans call for the development of more coordinated efforts in this area.

Statement

In accordance with statements concerning the Board's reporting of internal control during 2005, as published by the association for Swedish corporate governance on December 15, 2005, this report only comprises a description of how the internal control is organized, without any statements about how well it has functioned.

In 2005, Trelleborg established a new corporate staff function, Internal Control, which reports to the Group's CFO. During fiscal year 2006, the Board of Directors will decide if this function should be developed into a separate formal audit function (internal audit).

*Trelleborg, February 14, 2006
The Board of Directors of Trelleborg AB*

Corporate Governance Report

Responsibility for the management and control of the Trelleborg Group is shared among the Board of Directors, its elected committees and the President in accordance with the Swedish Companies Act, other legislation, rules and regulations governing listed companies, including the Swedish Code of Corporate Governance, 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 2005

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.

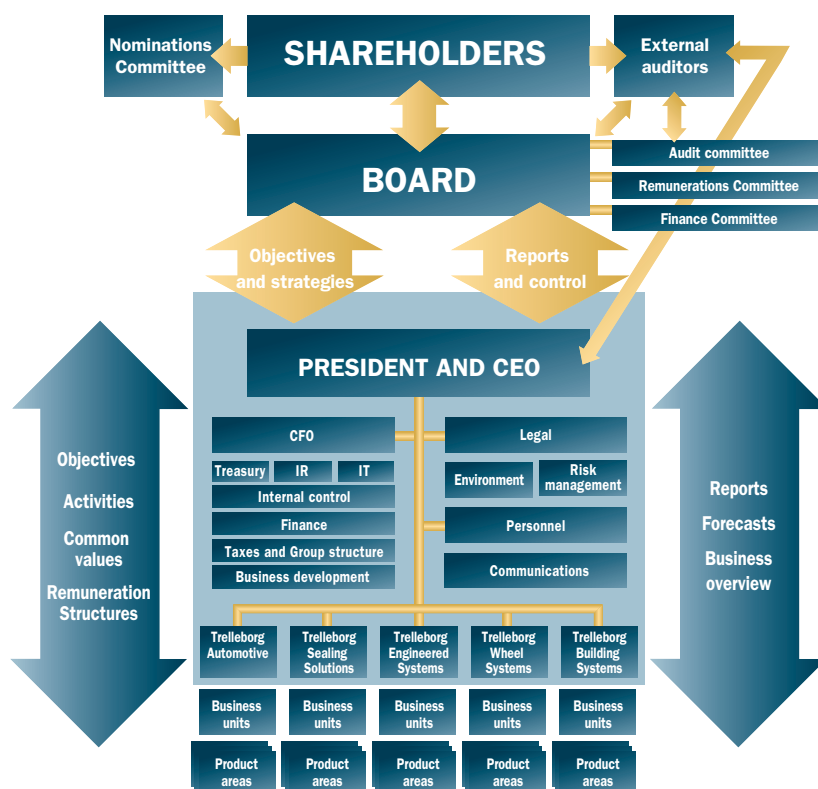
The 2005 Annual General Meeting took place on Tuesday, April 26. All Board members elected by the Annual General Meeting were present. Anders Narvinger was elected chairman of the meeting.

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 5.00 per share for 2004.
- The meeting voted in favor of the proposal of shareholders representing approximately 65 per cent 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, Heléne Bergquist, Staffan Bohman, Rolf Kjellman, Berthold Lindqvist, Claes Lindqvist

and Anders Narvinger were re-elected to the Board.

- Anders Narvinger was elected Chairman of the Board.
- The meeting decided that fees to Board members for the current fiscal year, excluding travel expenses, should be paid in the total amount of SEK 1,950,000, to be distributed as follows: SEK 700,000 to be paid to the Chairman and SEK 250,000 to be paid to each member of the Board who is not an employee of the Group. The meeting also decided that remuneration should be paid to the Audit Committee in the amount of SEK 100,000 to the Chairman of the Committee and SEK 30,000 to the other Committee members, and that, as previously, the auditors shall be compensated for reasonable expenses as specified by invoice based on actual time on the completion of their assignment.
- The election of auditors took place at the previous year's Annual General Meeting (April 2004), which elected PricewaterhouseCoopers AB as auditors, represented by Authorized Public Accountants Göran Tidström and Olov Karlsson, with Göran Tidström as Auditor in Charge.
- The meeting decided that the nominations process should take place in such a manner that a Nominations Committee shall prepare and present proposals to the shareholders at the Annual General Meeting and, when applicable, present proposals for auditors and remunerations to the Board and the auditors. The Nominations Committee shall consist of five members, who are to be representatives of five major shareholders at the close of the third quarter, and these members shall be appointed as follows: the



Trelleborg applies the Swedish Code of Corporate Governance. A complete overview of Trelleborg's application of the Swedish Code of Corporate Governance and other related corporate-governance information is available from the Group's website under the heading Corporate Governance. This corporate governance report has not been examined by the company's auditors.

Chairman of the Board shall, at the close of the third quarter, contact five major shareholders in the company who shall be given the opportunity to appoint one member of the Nominations Committee each, who should not be a Board member. In addition, the Nominations Committee may decide that the Board Chairman be included but may not be made Chairman of this Committee. When proposing nominations, the Board Chairman shall, as part of the Committee's work, report to the Nominations Committee on the current status of the Board's work, requirements for specialist expertise and so forth, which may be significant to the appointment of Board members. It shall be possible for individual Trelleborg shareholders to submit proposals for Board members to the Nominations Committee for further evaluation, within the parameters of its work. Information concerning the composition of the Nominations Committee shall be published in the company's interim report for the third quarter. The Nominations Committee shall have the right to charge the company with expenses for recruitment consultants, if such assistance is deemed necessary in order to provide an appropriate selection of Board candidates. The Nominations Committee shall present the results of its work at the Annual General Meeting.

- At the meeting, the Board Chairman presented plans for establishing an Audit Committee to comprise Board members Rolf Kjellman, Heléne Bergquist and Anders Narvinger. The Board later established the Committee in accordance with this proposal.
- In accordance with the Board proposal, the meeting decided to authorize the Board, in a departure from the shareholders' preferential rights, to decide on the divestment of the company's own shares as liquidity in conjunction with acquisitions through business combinations of companies or operations, and 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 Stock Exchange to finance the acquisition of companies or operations. In the event divestment takes place with-

out 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 more occasions prior to the next Annual General Meeting.
- 2) No more shares may be divested than at any time correspond to 10 per cent of the number of shares in the company.

Nominations Committee

Nomination of Board members must follow the procedure adopted by the 2005 Annual General Meeting.

A Nominations Committee formulated proposals for the Annual General Meeting in 2006 regarding the composition of the Board of Directors and the fees paid to Board members. 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. Didrik Normark was elected Chairman. A decision was made that the Board Chairman may be included in the Nominations Committee. No remuneration was 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. At the second meeting, the Board Chairman reported on the Board's work during the year, including the planned update of the written rules

of procedure for the Board, primarily as a result of the instructions for the Audit Committee that were adopted and the work of the Group's Remunerations Committee. Rolf Kjellman, Chairman of the Audit Committee, participated in the meeting at the agenda item "Work of the Audit Committee" and reported on the work of the Committee and its future focus. In addition, the annual evaluations of Board members were presented. The aim of the principal owners is that elected Board members shall possess the knowledge and experience relevant for Trelleborg. The rules regarding independent members, as stated in the Swedish Code of Corporate Governance, are observed.

The Nominations Committee has decided to propose to the 2006 Annual General Meeting that it re-elect all Board members. Peter Nilsson, President and CEO of Trelleborg since October 1, 2005, is proposed as a new member of the Board. Peter Nilsson succeeds Fredrik Arp, who left Trelleborg and his place on the Trelleborg Board effective September 30, 2005, to become President of the Volvo Car Corporation.

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 proposed new election of President and Chief Executive Officer, Peter Nilsson.

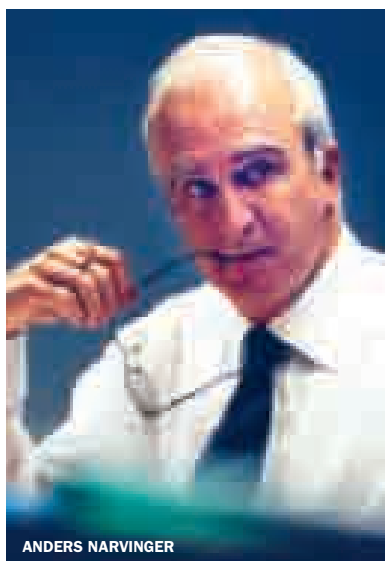
Composition of the Board and number of meetings

	Attendance	Remunerations Committee	Attendance	Finance Committee	Attendance	Audit Committee	Attendance
Number of meetings	10	3		5		5	
Anders Narvinger	10/10		3/3		5/5		5/5
Fredrik Arp*	6/8						
Heléne Bergquist	10/10				5/5		5/5
Staffan Bohman	10/10						
Rolf Kjellman	10/10				5/5		5/5
Berthold Lindqvist	10/10		3/3				
Claes Lindqvist	10/10						
Peter Nilsson*	2/2						
Kim Davidsson	8/10						
Alf Fredlund	10/10						
Karin Linsjö	10/10						
Rolf Larsson	10/10						

● = Chairman ● = Member ● = deputy

* On October 1, Peter Nilsson succeeded Fredrik Arp, who vacated his seat on the Board of Trelleborg on September 30, 2005.

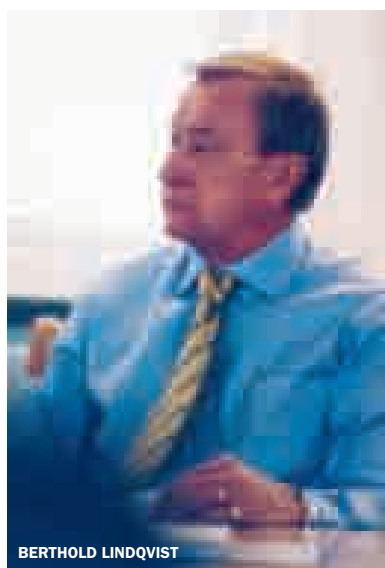
Board of Directors



ANDERS NARVINGER



ROLF LARSSON



BERTHOLD LINDQVIST



PETER NILSSON*



KARIN LINSJÖ



HELÉNE BERGQUIST



ROLF KJELLMAN



STAFFAN BOHMAN



ALF FREDLUND

*) Proposed for election by the 2006 Annual General Meeting.

Board of Directors



CLAES LINDQVIST

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 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 2005: 10,000 shares.
Holdings 2004: 4,000 shares.
Born: 1948. Elected to Board: 1999.

CLAES LINDQVIST Board member

Board member of Dunkers Funds and Foundations, Southern Swedish Chamber of Commerce and Industry, SIMI Scandinavian International Management Institute, Klippan AB, Konstruktionsbakelit AB and Connect Skåne.
Qualifications: Graduate in business administration, M.Sc.Eng.
Previous positions include a variety of senior positions at ASEA and Åkerlund & Rausing, and President and Chief Executive Officer of Högarna AB.
Holdings 2005: 2,000 shares.
Holdings 2004: 2,000 shares.
Born: 1950. Elected to Board: 2004.

BERTHOLD LINDQVIST Board member

Chairman of Munters AB. 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 2005: 2,000 shares.
Holdings 2004: 2,000 shares.
Born: 1938. Elected to Board: 1996.

HELÉNE BERGQUIST Board member

Senior Vice President, Group Controller, AB Electrolux.
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 and Board member of Association for the Development of Generally Accepted Accounting Principles.
Holdings 2005: 800 shares.
Holdings 2004: -
Born: 1958. Elected to the Board: 2004.

STAFFAN BOHMAN Board member

Vice Chairman of EDB Business Partner ASA, Oslo and Chairman of the Institute of International Business at the Stockholm School of Economics.
Board member of Atlas Copco AB, Dynapac, Inter IKEA Holding SA, Ratos, Scania and Swedfund.
Qualifications: Stockholm School of Economics and the Stanford Business School, US.
Previously Chief Executive Officer of DeLaval, Gränges and SAPA.
Holdings 2005: 12,000 shares.
Holdings 2004: 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 2005: 2,000 shares.
Holdings 2004: 1,500 shares.
Born: 1939. Elected to Board: 1997.

Proposed for election by the 2006 Annual General Meeting

PETER NILSSON President and CEO

Qualifications: M.Sc.Eng.
Previous positions include Business Area President, Trelleborg Engineered Systems, management consultant at BSI.
Holdings 2005: 1,500 shares.
Holdings 2004: 1,500 shares, 10,000 call options¹⁾.
Born: 1966. Employed: 1995.

Members appointed by employees

KIM DAVIDSSON Employee representative

Appointed by the Unions of the Trelleborg Group (LO).
Member of the Industrial Labor Union appointed by the executive committee and Chairman of the Trelleborg European Work Council.
Qualifications: Tool maker, training in labor law, personnel policy and economics.
Holdings 2005: -
Holdings 2004: -
Born: 1947. Elected to Board: 1994.

KARIN LINSJÖ Employee representative

Appointed by the Unions of the Trelleborg Group (LO).
Board member of the Social Services Board, Municipality of Trelleborg.
Qualifications: Elementary school and plant training.
Holdings 2005: 167 shares.
Holdings 2004: 167 shares.
Born: 1954. Elected to Board: 2000.

ROLF LARSSON Deputy employee representative

Appointed by the Unions of the Trelleborg Group (PTK).
Qualifications: IT and business development studies.
Holdings 2005: -
Holdings 2004: -
Born: 1942. Elected to Board: 2002.

ALF FREDLUND Employee representative

Engineer, appointed 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 2005: 4,818 shares (own and family members').
Holdings 2004: 4,818 shares (own and family members').
Born: 1946. Elected to Board: 2001.

Auditors: PricewaterhouseCoopers AB

GÖRAN TIDSTRÖM Authorized Public Accountant, Auditor in Charge

Auditor since 2004.
Assignments: Auditor of Securitas, Telia Sonera and Arla Foods Amba. Chairman of the Board of EFRAG (European Financial Reporting Group) and Board member of IFAC (International Federation of Accountants).
Born: 1946.

OLOV KARLSSON Authorized Public Accountant

Auditor since 2004.
Assignments: Auditor of AB Volvo and Pergo AB.
Born: 1949.



KIM DAVIDSSON



GÖRAN TIDSTRÖM



OLOV KARLSSON

¹⁾ Exercise period: October 1, 2004 to March 31, 2005. Exercise price: SEK 122.

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 2005, 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) for the period until the next Annual General Meeting. 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.

The work of the Board is conducted in accordance with the Swedish Companies Act and other legislation and regulations, including the Swedish Code of Corporate Governance and the internal steering documents of the Board and its committees.

Each year, the Board of Directors establishes a formal work plan clarifying the Board's responsibilities and regulating the internal division of duties between the Board and its committees, including the role of the Chairman, the Board's decision-making procedures, its meeting schedule, procedures governing the convening, agenda and minutes of meetings, as well as Board work on accounting, auditing matters and financial reporting. The work plan also governs how the Board shall receive information and documentation as the basis for its work and to be able to make well-founded decisions. The Board has also issued separate Presi-

dent's instructions and instructions for financial reporting to the Board and has adopted other special steering documents, including a Finance Policy, a Communications Policy and a Code of Conduct.

During the year, the Board also adopted special written procedures for the newly established Audit Committee.

The responsibilities of the Board include monitoring 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 responsibilities of the Board also include setting strategies and targets, establishing special control instruments, deciding on larger acquisitions through business combinations and divestments of operations, deciding on other large investments, deciding on deposits and loans in accordance with the Finance Policy and issuing financial reports, as well as evaluating the management of operations and planning managerial succession.

The Board conducts reviews with the auditors when plans for the audit procedure are presented and when audit reports are to be considered.

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.

The Chairman

At the 2005 Annual General Meeting, Anders Narvinger was elected Chairman until the 2006 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, including the Swedish Code of Corporate Governance, and the Board's committees' 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 2005 the Board held ten meetings, of which three were extra meetings. The main topics of discussion were as follows:

No. 1/05: Year-end report, auditing and legal issues. Auditors present.

No. 2/05: Extra meeting about the Group's non-current syndicated loans.

No. 3/05: Three-months interim.

No. 4/05: Statutory meeting following the Annual General Meeting; committee elections, authorized signatories, adoption of Board procedures, instructions for the President and instructions for financial reporting.

Nos. 5/05 and 6/05: Announcement of new President.

No. 7/05: Six-months interim report. Updating the Code of Conduct.

No. 8/05: Corporate governance issues, review of all corporate governance documents. Strategic plan.

No. 9/05: Acquisition issues.

No. 10/05: Follow-up of auditing. Auditors present.

Attendance at this year's meetings was excellent.

Audit Committee

The Audit Committee comprises Board members Rolf Kjellman, who is also the Chairman of the Committee, Hélène Bergquist and Anders Narvinger. The Group's CFO, Bo Jacobsson, and General Counsel and Secretary, Ulf Gradén, participate in the Audit Committee meetings. The Audit Committee usually meets in conjunction with Board meetings and its primary task is to ensure that established principles for financial reporting and internal control are adhered to and that appropriate relations are maintained with the auditors in accordance with "Instructions for the Audit Committee established by Trelleborg AB." The results of the Audit Committee's work, in the form of

observations, recommendations and proposals, are reported to the Board on an ongoing basis. A total of five meetings of the Audit Committee were held in 2005.

The Annual General Meeting decided that the chairman of the Audit Committee should receive SEK 100,000 in remuneration and the remaining members of the committee SEK 30,000 each.

Remunerations Committee

From among its members, the Board appoints a Remunerations Committee for the period until the next Annual General Meeting, to represent the Board on matters regarding salary and employment conditions for the President and for positions that report directly to him. The Remunerations Committee consists of Board members Anders Narvinger, who chairs the committee, and Berthold Lindqvist.

The Remunerations Committee convened three times during 2005 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

The Board has had a Finance Committee for several years, the primary task of which is to support and monitor financial operations, annually assess and propose changes to the Finance Policy, evaluate and prepare matters for decision by the Board and, after each meeting, to report on its work at the subsequent Board meeting. The Finance Committee consists of Board members Rolf Kjellman, who is also Chairman of the Finance Committee, Hélène Bergquist and Anders Narvinger. The Group's CFO, Bo Jacobsson, and General Counsel and Secretary of the Finance Committee, Ulf Gradén, participate in the meetings of the Finance Committee. When necessary, the Senior Vice President, Group Finance participates. The Committee held five meetings in 2005. 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 elected by the Annual General Meeting are established by the Annual General Meeting, based on the

proposals of the Nominations Committee. In 2005, the Chairman of the Board was paid a fee of SEK 700,000 (600,000). The remaining five members who were elected by the Annual General Meeting and are not Group employees received remuneration totaling SEK 1,250,000 (1,125,000), distributed as SEK 225,000 each. Consequently, total fees paid to Board members amount to SEK 1,950,000 (1,725,000), excluding reimbursement for travel expenses. No consulting fees were paid.

Internal control and reporting

Trelleborg has defined internal control as a process affected by the Board, company management and other employees and designed to provide reasonable assurance that Trelleborg's objectives are achieved with regard to appropriate and efficient operations, reliable financial reporting and adherence to applicable legislation and regulations. The process is based on a control environment that engenders discipline and structure for the four other components in the process, those being the assessment of risk, control structures, information, communication and review. The process begins with the framework for internal control issued by the Treadway Commission's Committee of Sponsoring Organization (COSO).

Trelleborg has a number of policies, manuals and codes containing binding rules and a number of recommendations providing guidelines and assistance for operations and employees, see under Policy documents below. Combined with legislation, regulations and applicable rules for listed companies, including the Swedish Code of Corporate Governance, these control instruments form the foundation of the "control environment."

Since 2004, the Trelleborg Group has been conducting a systematic 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. The Group is also conducting work to map and evaluate the most significant risks and introduce appropriate measures to control such risks. The Group has had coordinated insurance policies for a number of years for both its production resources and for liability issues. A Group-wide program

for mapping, measuring and following up the work environment in our production facilities was drawn up during the year. This program has also been introduced in its entirety in the US, the UK, France and Italy. In 2006 the program will be introduced in twenty further countries and will subsequently be dispersed throughout the entire Group.

During 2005, Trelleborg established a new Internal Control staff function, which reports to the Group's CFO. This function has prepared a target scenario for the focus of continued efforts to further develop and improve internal control with regard to financial reporting based on a completed risk analysis. The target scenario has been considered by the Audit Committee and adopted by the Board.

The Board oversees the quality of financial reporting through instructions to the President, instructions regarding financial reporting to the Board and through the Communication Policy, partly by considering reports from the Audit Committee in the form of written minutes, and partly through observations, recommendations and proposals for decisions and measures. The Board also assures the quality of financial reporting by considering interim reports, annual reports and year-end reports in detail at its meetings. The Board has delegated to Group Management responsibility for vetting financial press releases and performance measures presented at conferences with the media, shareholders and financial institutions.

A decision was made to the effect that Trelleborg's six-month interim reports shall be reviewed in outline by the Group's auditors, effective from the 2006 six-month report.

During the 2006 fiscal year, the Board will determine whether the Internal Control staff function should be developed into a special internal audit unit.

Auditors

The responsibilities of the Board of Directors include preparing a proposal to the Annual General Meeting of 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 Auditor in Charge. 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 2005 Annual Report in February 2006.

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 assignment outside the audit, mainly concerning issues related to IFRS, taxation consultations and corporate acquisitions through business combinations. See Note 4, page 64.

Group Management

The President manages operations in accordance with the Swedish Companies Act, other legislation and regulations, applicable rules for listed companies, including the Swedish Code of Corporate Governance, and the parameters set by the Board, including its instructions to the President. In consultation with the Chairman of the Board, the President prepares necessary information and basic documentation on the basis of which the Board can make well-founded decisions, he presents matters and motivates proposed decisions, as well as reporting to the Board on the development of the company. The President is responsible leading the work conducted by Group Management and renders decisions in consultation with other members of the management team, which consists of the heads of the business areas and Group staff functions; currently a total of 14 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 former President, who was also the Chief Executive Officer, received a base salary, variable salary and other remuneration, as stipulated in the table alongside until his last day of employment on September 30, 2005. The variable salary portion was subject to an upper limit of SEK 4 M per full year. The new President, who is also the Chief Executive Officer,

has received a base salary, variable salary and other remuneration, as stipulated in the table alongside, since July 1, 2005. The variable salary portion is subject to an upper limit of SEK 3 M per full year. For both of these individuals, the variable salary portion is based on 65 per cent of Trelleborg's consolidated profit before tax. A further 35 per cent of variable salary is based on Trelleborg's consolidated net profit. Neither includes the effects of structural changes approved by the Board. For the former President, the variable salary portion comprised pensionable earnings. The variable salary for the new President does not constitute pensionable income.

In addition, the former President had an agreement regarding variable salary with an established upper limit based on the Trelleborg's share performance during the period 2002-2004, subscribed for in 2002 and with an initial value of SEK 85 per share. The final outcome was computed in April 2005, based on the average price of the Trelleborg share during the first quarter of 2005. Consequently, a charge of SEK 1,197,000 was made against profit for the year.

The former President had an agreement that entitled him to retire at age 60 with compensation amounting to 60 per

cent of normal salary between the age of 60 and 65, after which a premium-based occupational pension is paid. Pension premiums were expensed for this purpose as shown in the table below. The pension premium includes final payment of occupational pension premiums in an amount of SEK 3,967,000. The new President has a pension agreement that entitles him to retire at age 65. However, this agreement permits both the company and the president, without any further reasoning, to demand early retirement from the age of 60, with a mutual period of notice of six months. From the point in time at which the President takes early retirement, the employment contract and pension agreement cease to apply. The pension agreement is entirely premium-based, with the premium calculated at 35 per cent of the President's fixed annual salary. For 2005, the pension premium was expensed in its entirety as stipulated in the table below.

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 are based on a fixed salary and a variable salary.

Specification of Board fees and salaries for the President, Executive Vice Presidents and other senior executives

2005 SEK, 000s	Board fee/ Basic salary	Variable salary	Other benefits	Pension cost	Total
Chairman of the Board	730				730
Other Board members, 5 persons	1,380				1,380
Former President	4,058	2,697	112	6,899	13,766
New President	1,395	625	32	420	2,472
Executive Vice Presidents, 2 persons effective October 1, 2005	5,272	1,866	351	1,219	8,708
Other senior executives, 11 persons at December 31, 2005	23,569	7,237	1,026	6,270	38,102
Total	36,405	12,425	1,522	14,808	65,159

In addition to the above, a further SEK 2,400,000 was expensed regarding long-term incentive programs.

2004 SEK, 000s	Board fee/ Basic salary	Variable salary	Other benefits	Pension cost	Total
Chairman of the Board	600				600
Other Board members, 5 persons	1,125				1,125
President	6,755	6,122	159	3,565	16,602
Executive Vice President	4,373	328	323	96	5,120
Other senior executives, 11 persons at December 31, 2004	21,873	7,074	925	6,047	35,919
Total	34,726	13,524	1,407	9,708	59,366

The variable portion has a fixed upper limit and comprises 25–30 per cent 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 per cent of the person's regular salary up to 65 years of age, when the old-age pension generally commences. For other senior executives, an extended required period of notice – usually 12, 18 or 24 months – also applies if notice is served by the Company, but not if the person concerned resigns.

Use of a company car is an optional benefit available to the President and other senior executives.

In 2005 the Board decided to introduce a long-term incentive program for the President and certain senior executives (approximately 25 individuals) who have a significant influence on earnings per share for the Trelleborg Group. This program is a rolling three-year program for which the Board will decide on any new programs on an annual basis. The program is cash-based and comprises an addition to the annual variable salary, and presupposes that the senior executive is employed at the Trelleborg Group at December 31 of the year in which the program expires. The target figure is the Trelleborg Group's earnings per share and an annual improvement of 10 per cent, including costs for the program.

For 2005, the Board decided on a target of SEK 12.40 in earnings per share. The maximum outcome is 100 per cent of the senior executive's average variable salary during the term of the program. The outcome is calculated annually and is accumulated over a three-year period and any outcome is paid during the first quarter in the year after the program expires. Therefore, payment for the program decided upon in 2005 will take place during the first quarter of 2008. The outcome does not comprise pensionable income. Earnings were charged with SEK 2.4 M for this program for 2005.

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. Included 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.
- *Financial Manual (accounting and reporting regulations)*
The Group's Financial Manual specifies

the regulations and guidelines applicable to decisions in financial matters, the structure of financial report 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.
- *Communication Policy*
Trelleborg's Communication Policy serves as a document that describes the Group's general principles for the publication of information.
- *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 recommendations 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 administered and how it is used.
- 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.

Vision, business concept and objectives

Values

Code of conduct

Policies, manuals and recommendations

Local control documents

Group Management at February 14, 2006

PETER NILSSON



GERTRUD ANDERSSON



CLAUS BARSØE



SÖREN ANDERSSON



ULF GRADÉN



CLAES JÖRWALL



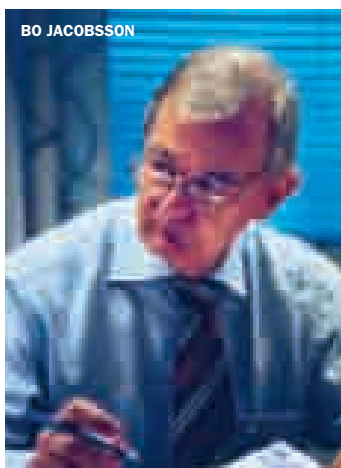
PETER SUTER



LENNART JOHANSSON



BO JACOBSSON



LARS OLOF NILSSON



MAURIZIO VISCHI



PETER NILSSON
President and CEO

Qualifications: M.Sc.Eng.
Previous positions include Business Area President, Trelleborg Engineered Systems, management consultant at BSI.
Holdings 2005: 1,500 shares.
Holdings 2004: 1,500 shares, 10,000 call options¹⁾.
Born: 1966. Employed: 1995, in current position since 2005.

BO JACOBSSON
Chief Financial Officer (CFO) and 1st Executive Vice President, Trelleborg AB

Qualifications: University studies in business administration.
Previously held positions including CEO of the Scancem Group and CFO of Telia AB.
Holdings 2005: 5,000 shares (own and family members').
Holdings 2004: 1,000 shares (own and family members').
Born: 1951. Employed: 1975-1997, 2002, CFO since 2002 and Executive Vice President since 2005.

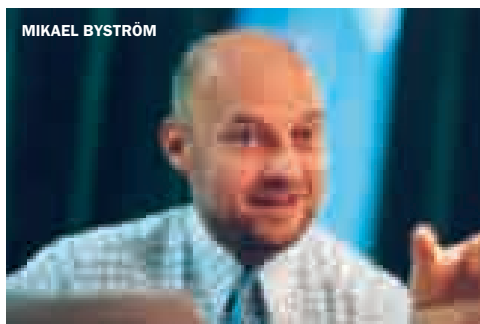
GEORGE CAPLEA



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 2005: 2,000 shares
Holdings 2004: 30,000 call options¹⁾.
Born: 1950. Employed: 1997, Business Area President since 1998 and Executive Vice President since 2002.

MIKAEL BYSTRÖM



MAURIZIO VISCHI
Business Area President, Trelleborg Wheel Systems

Qualifications: MBA.
Previously held management positions within Pirelli.
Holdings 2005: -
Holdings 2004: 25,000 call options¹⁾.
Born: 1955. Employed: 1999, in current position since 2001.

LENNART JOHANSSON
Business Area President, Trelleborg Engineered Systems

Qualifications: M.Sc.Eng.
Previously President of Kemira Kemi, business unit manager at Kemira OY and Perstorp AB.
Holdings 2005: -
Holdings 2004: -
Born: 1960. Employed: 2005, in current position since 2005.

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 2005: 9,085 shares.
Holdings 2004: 10,000 shares, 25,000 call options¹⁾.
Born: 1943. Employed 1991, in current position since 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 2005: -
Holdings 2004: -
Born: 1949. Employed: 2003, in current position since 2003.

GERTRUD ANDERSSON
Senior Vice President, Group Finance

Qualifications: Graduate in business administration.
Previously held various positions within the Trelleborg Group.
Holdings 2005: 44,110 shares.
Holdings 2004: 44,110 shares, 20,000 call options¹⁾.
Born: 1944. Employed: 1963, in current position since 1997.

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 2005: 273 shares.
Holdings 2004: 473 shares (own and family members'), 20,000 call options¹⁾.
Born: 1953. Employed: 1988, in current position since 1988.

LARS OLOF NILSSON
Senior Vice President, Business Development

Qualifications: Graduate in business administration.
Previously held positions at SEB
Holdings 2005: 10,000 shares
Holdings 2004: 1,800 shares, 20,000 call options.
Born: 1962. Employed: 1988, in current position since 2002.

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 2005: -
Holdings 2004: 20,000 call options.
Born: 1954. Employed: 2001, in current position since 2001.

SÖREN ANDERSSON
Senior Vice President, Human Resources

Qualifications: University studies in economics, sociology and education.
Board member of the Industry and Chemistry organization and the Southwest Skåne chapter of the Southern Swedish Chamber of Commerce and Industry.
Previously held several HR positions within SCA.
Holdings 2005: 2,000 shares.
Holdings 2004: 1,000 shares, 20,000 call options¹⁾.
Born: 1956. Employed: 1998, in current position since 1998.

MIKAEL BYSTRÖM
Senior Vice President, Investor Relations

Qualifications: Studies in communications, economics and behavioral science.
Board member of SIRA (Swedish Investor Relations Association).
Previously held positions including Vice President, Communications at Boliden and Trelleborg Group.
Holdings 2005: 2,199 shares (own and family members').
Holdings 2004: 2,199 shares (own and family members').
Born: 1961. Employed: 1990, in current position since 2005.

VIKTORIA BERGMAN
Senior Vice President, Corporate Communications

Qualifications: Studies in marketing, communications and PR.
Previously held positions include Vice President, Corporate Communications at Trelleborg.
Holdings 2005: 500 shares (own and family members').
Holdings 2004: 500 shares (own and family members').
Born: 1965. Employed: 2002, in current position since 2005.

VIKTORIA BERGMAN



1) Exercise period October 1, 2004 – March 31 2005, exercise price SEK 122.

Five-year summary

Figures for 2001-2003 are reported in accordance with former accounting principles. Figures for 2004-2005 are reported in accordance with IFRS

Trelleborg Group (SEK M unless otherwise stated)	2005	2004	2003	2002	2001
Continuing operations					
Net sales	24,170	22,912	17,960	17,139	17,589
Operating profit	1,779	1,235	1,052	842	778
Profit before tax	1,567	948	911	574	600
Net profit	1,177	730	603	361	471
Divested operations					
Net sales	–	–	–	491	1,171
Operating profit	–	656	156	104	148
Profit before tax	–	656	180	103	127
Net profit	–	656	117	63	56
Total operating profit	1,779	1,891	1,208	946	926
Total profit before tax	1,567	1,604	1,091	677	727
Total net profit	1,177	1,386	720	424	527
– of which Group's share	1,161	1,372	702	410	515
– of which minority share	16	14	18	14	12
Shareholders' equity	10,113	8,603	7,452	7,284	7,690
Capital employed	16,922	15,112	15,810	9,886	10,451
Net debt	–7,236	–6,951	–8,447	–2,962	–3,267
Total assets	24,960	22,152	22,856	15,400	17,722
Equity/assets ratio, %	41	39	33	48	44
Debt/equity ratio	72	81	111	40	42
Capital turnover rate, multiple	1.5	1.4	1.5	1.7	1.8
Investments in property, plant and equipment	692	841	572	735	634
Investments in intangible assets	184	170	115	4	8
Acquisitions through business combinations	368	346	6 141	133	322
Divestments	–	1 097	–	127	91
Return on shareholders' equity, %	12.5	17.2	9.5	5.5	6.3
Earnings per share, SEK	12.90	15.55	8.40	4.75	5.35
Free cash flow	950	536	945	741	256
Free cash flow per share, SEK	10.55	6.05	11.30	8.60	2.35
Shareholders' equity per share, SEK	111.15	94.45	88.40	87.05	88.70
Shareholders' equity per share after dilution, SEK	111.15	94.45	87.60	86.15	87.85
Average number of employees	21,694	21 675	15 855	14 885	16 179
– of which, outside Sweden	19,243	19 117	13 773	12 919	14 125
Continuing operations*					
EBITDA	2,625	2,637	1,948	1,692	1,848
EBITDA, %	10.7	11.4	11.9	10.7	12.4
EBITA	1,844	1,829	1,286	1,015	1,131
Operating profit	1,779	1,795	1,271	1,010	1,125
Profit before tax	1,567	1,508	1,130	742	947
Net profit	1,177	1,122	788	495	740
Operating margin (ROS), %	7.2	7.7	6.9	5.7	6.3
Return on capital employed (ROA), %	10.8	11.2	11.4	10.1	10.7
Return on shareholders' equity, %	12.5	13.9	10.7	6.6	9.1
Earnings per share, SEK	12.90	12.55	9.40	5.75	7.65
Operating cash flow	1,788	1,483	1,129	1,029	1,385
Operating cash flow per share, SEK	19.85	16.80	13.50	11.95	14.35
Operating cash flow/operating profit, %	101	83	89	102	108
Average number of employees	21,694	21,675	15,855	14,811	15,916

*) Excluding restructuring costs and impairment losses. For 2001-2003, excluding goodwill amortization. For comparability, historical values have been adjusted for discontinued operations.

Financial definitions and glossary

Financial key figures

Debt/equity ratio

Net debt divided by total equity

Earnings per share

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

Earnings per share after dilution

Profit for the period, attributable to equity holders of the parent divided by the average number of shares outstanding plus the average number of shares added through the conversion of outstanding debentures and warrants

Equity/assets ratio

Total equity divided by total assets

Free cash flow

Operating cash flow and cash flow from financial items and tax and the effect of restructuring measures on cash flow

Free cash flow per share

Free cash flow divided by the average number of shares outstanding

Net debt

Interest-bearing liabilities less interest-bearing assets and cash and cash equivalents

Return on shareholders' equity

Profit for the period, attributable to equity holders of the parent as a percentage of average shareholders' equity, excluding minority interests.

Yield

Dividend as a percentage of the market price

Operational key figures *)

Average number of employees per business area

Including employees hired on a current basis and externally contracted temporary resources

Capital employed

Total assets less interest-bearing financial assets and cash and cash equivalents and non-interest-bearing operating liabilities, including pension liabilities, and excluding tax assets and tax liabilities

Earnings per share

Profit for the period, attributable to equity holders of the parent excluding restructuring costs and impairment losses net after tax, divided by the average number of shares outstanding

EBITA

- Operating profit/loss excluding amortization, restructuring costs and impairment losses

- Operating profit/loss excluding amortization and impairment losses on intangible assets but including restructuring costs and impairment losses on property, plant and equipment

EBITDA

- Operating profit/loss excluding depreciation and amortization, restructuring costs and impairment losses

- Operating profit/loss excluding depreciation, amortization and impairment losses, but including restructuring costs

EBITDA/financial items

EBITDA as a percentage of financial items

EBITDA margin

EBITDA excluding profit from participation in associated companies as a percentage of net sales

Net debt/EBITDA

Net debt divided by EBITDA, excluding restructuring costs

Operating cash flow

EBITDA excluding profit from participation in associated companies, cash flow effect of restructuring measures and net investments and including changes in working capital and dividend from associated companies

Operating cash flow/EBIT

Operating cash flow as a percentage of EBIT, excluding restructuring costs and impairment losses

Operating cash flow per share

Operating cash flow divided by the average number of shares outstanding

P/E ratio excluding restructuring costs and impairment losses

Market price divided by the earnings per share excluding restructuring costs and impairment losses net after tax

Return on shareholders' equity

Profit for the period, attributable to equity holders of the parent, excluding restructuring costs and impairment losses, net after tax, divided by average shareholders' equity, excluding minority interests

Return on capital employed (ROA – Return on Assets)

- Operating profit, excluding restructuring costs and impairment losses divided average capital employed.

- Operating profit, including restructuring costs and impairment losses divided average capital employed.

*) 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 in which the material is squirted out through a nozzle, for example for sealing strips and hoses.

FFKM An elastomer belonging to the perfluoroelastomers, with high resistance to heat and chemicals.

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.

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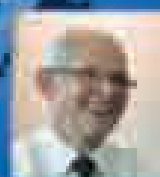
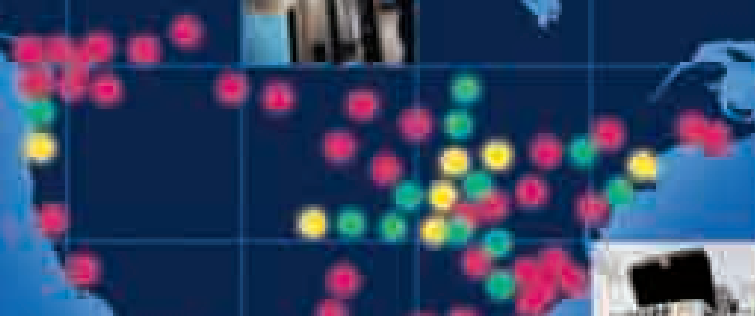
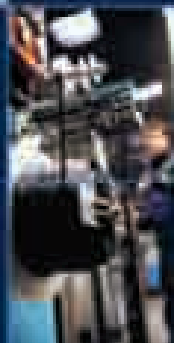
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The Annual General Meeting of Trelleborg AB (publ) will be held on Tuesday, April 25, 2006, at 3.00 p.m. in Söderslätts hallen in Trelleborg, Sweden.

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 Wednesday, April 19, 2006, at the latest, and notify the company of their intention to participate – possibly with assistant – not later than 3.00 p.m. the same day.

Shareholders whose shares have been registered in the name of a trustee, must have temporarily re-registered the shares in their own name not later than April 19, 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 (0) 410-175 89
- by telephone to: +46 (0) 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 – documents 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 2006 Annual General Meeting

Proposed dividend

The Board of Directors and the President propose that a cash dividend of SEK 5.50 (5.00) per share be paid to the shareholders.

Friday, April 28, 2006, is proposed as the date of record. If the Meeting approves the proposal, the dividend will be remitted by VPC AB on Thursday, May 4, 2006.

Cancellation of shares

Since 2001, the Board has had a mandate from the Annual General Meeting to decide on the repurchase of Trelleborg shares in an amount of not more than 10 per cent of the total number of shares in the company. Currently, the company holds approximately 5.6 million Trelleborg shares. The Board proposes to the Annual General meeting that these 5.6 million shares be cancelled and that the share capital be decreased accordingly. No new mandate for the repurchase of Trelleborg shares is requested.

Board members

A Nominations Committee consisting of the Chairman of the Board and representatives of the major owners, corresponding to approximately 65 per cent of the votes in Trelleborg, has decided to propose to the Annual General Meeting the election of Peter Nilsson, the new President and CEO of Trelleborg. Peter Nilsson is to replace former President and CEO Fredrik Arp, who left the Group on September 30, 2005, as Board member. In addition, it is proposed that all Board members elected by the Annual General Meeting be re-elected.

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.

Head offices

Trelleborg AB (publ)

Box 153
SE-231 22 Trelleborg
Visitors: Henry Dunkers gata 2, Sweden
Tel: +46 (0) 410-670 00
Fax: +46 (0) 410-427 63
Internet: www.trelleborg.com
e-mail: info@trelleborg.com

Trelleborg Treasury

Box 7365
SE-103 90 Stockholm
Visitors: Norrlandsgatan 20, Sweden
Tel: +46 (0) 8-440 35 00
Fax: +46 (0) 8-440 35 48
e-mail: treasury.stockholm@trelleborg.com

Business areas

Trelleborg Automotive

400 Aylworth Avenue
US-South Haven, MI 49090, USA
Tel: +1 616 637 2116
Fax: +1 616 637 8315
e-mail: automotive@trelleborg.com

Trelleborg Sealing Solutions

Handwerkstraße 5-7
DE-70565 Stuttgart, Germany
Tel: +49 (0) 711-786 40 00
Fax: +49 (0) 711-783 31 71
e-mail: sealing.solutions@trelleborg.com

Trelleborg Engineered Systems

SE-231 81 Trelleborg
Visitors: Henry Dunkers gata 1, Sweden
Tel: +46 (0) 410-510 00
Fax: +46 (0) 410-71 15 21
e-mail: engineered.systems@trelleborg.com

Trelleborg Wheel Systems

Via Naz, Tiburtina, 143
IT-00010 Villa Adriana (Roma), Italy
Tel: +39 774 38 41
Fax: +39 774 38 48 02
e-mail: wheel.systems@trelleborg.com

Trelleborg Building Systems

SE-231 81 Trelleborg
Visitors: Henry Dunkers gata 1, Sweden
Tel: +46 (0) 410-510 00
Fax: +46 (0) 410-189 81
e-mail: building.systems@trelleborg.com

Solutions securing values™ by damping, sealing and protecting in demanding environments



Trelleborg provides damping for bridges and other infrastructure constructions. The Larreatag's viaduct in Spain is one kilometer long and 75 meters high and crosses a valley in an earthquake prone part of Spain. Elastomer bearings damp movements caused by weather conditions and seismic instability and can cope with horizontal movements of more than one meter. [www.trelleborg.com](#)



Oil rigs in the stormy waters off Russia's Sakhalin Island are protected from fire by Trelleborg seals. These can withstand temperatures ranging from -39°C to $+1,400^{\circ}\text{C}$ while remaining sufficiently flexible to maintain a tight seal during seismic movements, providing two hours of grace during a "jet fire," when burning gas creates a flame like that of a welding torch. [www.trelleborg.com](#)



Jet aircraft, such as the giant Airbus A 380, are sealed by Trelleborg. The seals in the hydraulic cylinders of the A 380's crucial primary flight controls can withstand pressures of 350 bar and temperatures ranging from -54°C to $+200^{\circ}\text{C}$. More than 400 different seals help secure the aircraft's flight performance. The technology behind these seals is also used in fire seals that can withstand flames of $1,100^{\circ}\text{C}$ from, for example, engine fires. [www.trelleborg.com](#)



TRELLEBORG

Trelleborg AB (publ), Box 153, SE-231 22 Trelleborg
Tel: +46 (0) 410-670 00 • Fax: +46 (0) 410-427 63
E-mail: info@trelleborg.com • Internet: www.trelleborg.com