

Year-end report, January-December 2005

Stable trend for the Trelleborg Group

The Trelleborg industrial Group can look back at a stable trend during 2005. For the full-year, net sales reached SEK 24,170 M (22,912), with sales increases in all five business areas. Organic growth was approximately 3 percent.

For the full-year, net profit for the Group's continuing operations, excluding restructuring costs and impairment, rose somewhat to SEK 1,177 M (1,122).

The Group's operating cash flow continued to develop strongly and rose by 21 percent during the year, from SEK 1,483 M to SEK 1,788 M. Free cash flow increased by 77 percent.

The Group's repositioning and increased focus on selected segments, in conjunction with price increases and cost savings, were largely able to offset considerably increased costs for raw materials.

The Group continues to advance its positions in several prioritized segments. The order and delivery situation for most of the Group's units is favorable. The oil/gas and aerospace segments are examples of areas with a particularly favorable order backlog situation.

"We expect to continue to be able to grow more rapidly than our underlying markets," says President and CEO Peter Nilsson.

Key ratios – Fourth quarter and full-year

▼ During the fourth quarter, net sales rose to SEK 6,182 M (5,529), and during the period January to December, to SEK 24,170 M (22,912).

▼ Net profit:	Fourth quarter:	January-December:
• Continuing operations	SEK 293 M (-58)	SEK 1,177 M (730)
• Divested operations	SEK — M (—)	SEK — M (656)
• Total net profit	SEK 293 M (-58)	SEK 1,177 M (1,386)

▼ During the fourth quarter, earnings per share amounted to SEK 3.20 (loss: 0.75), and for the full-year, SEK 12.90 (15.55).

▼ Operating key ratios for continuing operations, excluding restructuring costs and impairment:

	Fourth quarter:	January-December:
• Operating profit	SEK 409 M (416)	SEK 1,779 M (1,795)
• Profit before tax	SEK 350 M (358)	SEK 1,567 M (1,508)
• Net profit	SEK 293 M (284)	SEK 1,177 M (1,122)
• Earnings per share	SEK 3.20 (3.15)	SEK 12.90 (12.55)

Significant events

▼ In October, the operations of Chase-Walton Elastomers Inc. were acquired, a company which produces precision seals, primarily for the aerospace industry. In December, an agreement was signed to acquire the CRP Group. Trelleborg thereby becomes the global market leader in polymer systems and solutions for oil/gas-extraction projects in deep-sea, offshore environments

▼ The focus on growth in Asia and Eastern Europe was further strengthened during the quarter, including through a decision to construct a new plant for AVS products in Romania, the acquisition of the remaining 70 percent of shares in a mixing plant in the Czech Republic and the establishment of a joint venture for the production of special hoses in China.

▼ A number of strategic orders were secured in early 2006, including in Automotive's laminate-products area, within the newly-acquired CRP, and for a new application of Elastopipe®.

Outlook for the first half of 2006

▼ **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.** 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 price pressure during the first half of 2006.

Board proposes to Annual General Meeting dividend of SEK 5.50 (5.00)

▼ The Board and President propose a cash dividend of SEK 5.50 (5.00), corresponding to 43 % of net profit.

Year-end report 2005

Key Ratios, Group

SEK M	Oct - Dec		Jan - Dec	
Key ratios	2005	2004	2005	2004
<i>Continuing operations</i>				
Net sales	6,182	5,529	24,170	22,912
Operating profit	409	-66	1,779	1,235
Profit before tax	350	-124	1,567	948
Profit for the period	293	-58	1,177	730
<i>Discontinued operations</i>				
Operating profit	-	-	-	656
Profit before tax	-	-	-	656
Profit for the period	-	-	-	656
Total operating profit	409	-66	1,779	1,891
Total profit before tax	350	-124	1,567	1,604
Total profit for the period	293	-58	1,177	1,386
- attributable to equity holders of the parent	288	-59	1,161	1,372
- attributable to minority interest	5	1	16	14
Earnings per share, SEK ¹⁾	3.20	-0.75	12.90	15.55
Free cash flow			950	536
Free cash flow per share, SEK ²⁾			10.55	6.05
Shareholders' equity per share, SEK			111.15	94.45
Net debt			-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
- whereof women			5,448	5,396
- whereof men			16,246	16,279
Operating key ratios				
<i>Continuing operations, excluding restructuring costs and impairment losses</i>				
Operating profit	409	416	1,779	1,795
Profit before tax	350	358	1,567	1,508
Profit for the period	293	284	1,177	1,122
Earnings per share, SEK ¹⁾	3.20	3.15	12.90	12.55
EBITDA, %	9.9	11.1	10.7	11.4
Operating margin (ROS), %	6.4	7.3	7.2	7.7
Return on capital employed (ROA), %			10.8	11.2
Return on shareholders' equity, %			12.5	13.9
Operating cash flow			1,788	1,483
Operating cash flow/Operating profit, %			101	83
Operating cash flow per share, SEK ³⁾			19.85	16.80
Net debt/EBITDA, multiple			2.8	2.6
EBITDA/Financial income and expenses, multiple			12.4	9.2

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

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

3) Operating cash flow related to the average number of shares outstanding

GROUP

Net sales, profits and earnings per share

Fourth quarter

During the fourth quarter of 2005, net sales for the Trelleborg Group amounted to SEK 6,182 M (5,529). Organic growth was 3 percent. All of Trelleborg's five business areas increased their net sales.

Operating activities showed an improvement in earnings compared with the year-earlier period and four of the five business areas increased their operating profit. However, central costs rose somewhat compared with the year-earlier period and were, in part, of a more temporary nature.

Operating profit for the Group amounted to SEK 409 M (loss: 66). Profit before tax amounted to SEK 350 M (loss: 124). Net profit was SEK 293 M (loss: 58), and earnings per share were SEK 3.20 (loss: 0.75). For continuing operations, excluding restructuring costs and impairment, operating profit amounted to SEK 409 M (416). Profit before tax amounted to SEK 350 M (358) and net profit amounted to SEK 293 M (284). Earnings per share were SEK 3.20 (3.15).

Period January – December

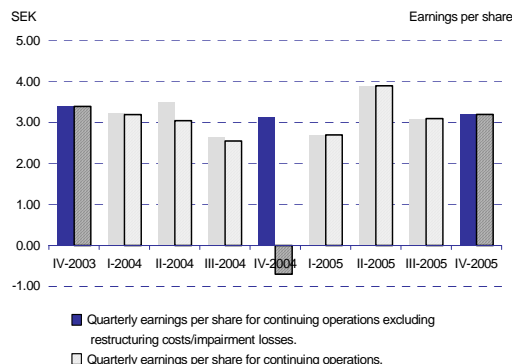
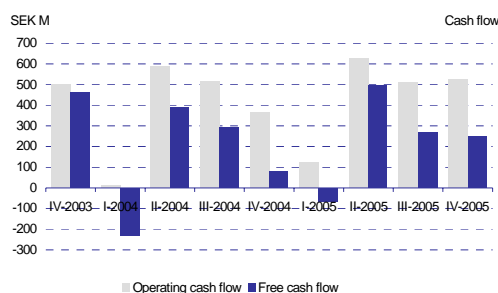
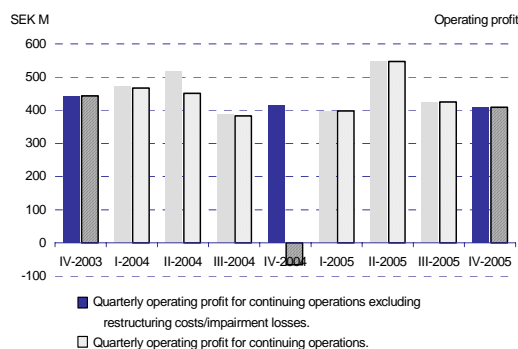
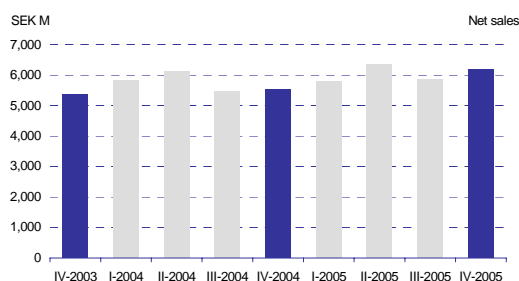
Despite varied demand and increased prices for raw materials, several key ratios improved compared with the preceding year.

During the period January to December 2005, the Group's net sales rose to SEK 24,170 M (22,912). Organic growth was 3 percent.

Consolidated operating profit amounted to SEK 1,779 M (1,891). Profit before tax was SEK 1,567 M (1,604). Net profit amounted to SEK 1,177 M (1,386) and earnings per share were SEK 12.90 (15.55). For continuing operations, excluding restructuring costs and impairment, operating profit amounted to SEK 1,779 M (1,795). Profit before tax amounted to SEK 1,567 M (1,508) and net profit was SEK 1,177 M (1,122). Earnings per share were SEK 12.90 (12.55). The Group's operating margin amounted to 7.2 percent (7.7). The EBITDA margin was 10.7 percent (11.4).

Balance sheet, cash flow and investments for January – December 2005

Consolidated operating cash flow for the period January to December improved to SEK 1,788 M (1,483), primarily due to lower investment and more efficient handling of working capital. The level of investment was SEK 876 M (1,011). At the end of the period, consolidated working capital was SEK 16,922 M (15,112). The increase was attributable to exchange-rate effects and acquisitions. Working capital, measured in relation to net sales, has decreased due to an on-going capital rationalization project. Net financial debt amounted to SEK 7,236 M (6,951). The debt-equity ratio at the end of the period amounted to 72 percent (81) and the equity-assets ratio was 41 percent (39). At the end of the period, shareholders' equity per share (net 90.4 million outstanding) amounted to SEK 111.15 (94.45). Return on shareholders' equity was 12.5 percent (17.2).



OTHER

Peter Nilsson new President and Chief Executive Officer of Trelleborg AB

During the fourth quarter, **Peter Nilsson** began his new position as President and CEO of the Trelleborg Group. Peter Nilsson has worked within the Group since 1995 and has been a member of Group Management since 2003. Effective, October 1, **Bo Jacobsson** was appointed First Executive Vice President of the Trelleborg Group. On November 1, **Lennart Johansson** became the new President of the Trelleborg Engineered Systems business area. Since 1998, Lennart Johansson had worked within the Kemira Group, most recently as President and Business Area Manager for Kemira Kemwater, President of Kemira AB and as a member of Kemira's Group Management.

Acquisitions

Fourth quarter

Trelleborg Sealing Solutions acquired the operations of **Chase-Walton Elastomers Inc.**, which has annual sales of approximately SEK 100 M and about 110 employees at two production units in the US. Chase-Walton Elastomers designs, develops and manufactures polymer components in silicone, primarily for the aerospace, medical technology and biotech industries.

Trelleborg Automotive acquired the remaining 45 percent of shares in the Chinese subsidiary Wuxi Trelleborg Vibration Isolator Co Ltd., in Wuxi, outside Shanghai. Trelleborg has owned the majority holding in the company, which was 45-percent owned by the Wuxi Guolian Group, since 2000. The new company, **Trelleborg Wuxi**, has approximately 300 employees. Operations focus mainly on AVS products.

Trelleborg Engineered Systems acquired **Dunlop GRG** and the operations in **Andre Structural Bearings**. Dunlop GRG Holdings Ltd. in Manchester, in the UK, is an engineering company whose operations focus on project-related products for protection and transport in demanding environments. The company has about 50 employees and annual sales of approximately SEK 70 M. Andre Structural Bearings in the UK, with annual sales of approximately SEK 10 M, complements Trelleborg's operations in bearings for infrastructure projects, including bearings to protect against seismic movements.

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

In December, Trelleborg Engineered Systems signed an agreement regarding the acquisition of **CRP Group**, an engineering company with sales of SEK 1,000 M and 500 employees, primarily in the UK and the US. Trelleborg thereby becomes the global market leader in polymer systems and solutions for oil/gas-extraction projects in deep-sea, offshore environments. Operations mainly involve systems for oil/gas projects in sub-sea environments. The company has operations in systems for seismic surveys of the seabed and in drilling and production, with solutions for deep-sea flow management and buoy systems, as well as many other specialized engineering solutions in polymer materials. The acquisition was concluded in January 2006.

Trelleborg Building Systems signed an agreement regarding the acquisition of the remaining 70 percent in **ECS, Elastomer Compounding s.r.o** of the Czech Republic from Rado of Germany. Trelleborg has owned 30 percent of ECS since 1998. The company's mixing unit is located in Lesina, in the Czech Republic and produces rubber mixes, primarily for profile manufacturers focusing on the construction and industrial sectors. Annual sales are approximately SEK 75 M and the unit has 40 employees. The takeover took place on January 2, 2006.

Period January – December

During the year, eight additional complementary acquisitions were conducted within the Trelleborg Wheel Systems, Trelleborg Sealing Solutions and Trelleborg Engineered Systems business areas.

After end of period

In February 2006, Trelleborg Building Systems acquired **EPG Inc.**, with approximately 140 employees and annual sales of approximately SEK 170 M. The company has two production units in Aurora, near Cleveland, Ohio, in the US. EPG produces polymer sealing products such as extruded profiles and pipe seals, primarily for the construction industry. EPG is the leader in its niches, primarily within commercial building design and, with an increasing share of the residential market, EPG is expected to provide both technical and commercial synergies within the business area.

Reclassification of Trelleborg by MSCI

As a consequence of the successful focusing of Trelleborg as a streamlined industrial group with the business concept of damping, sealing and protecting in demanding industrial environments, Morgan Stanley Capital International (MSCI) reclassified Trelleborg, effective September 15, 2005, to the 20106020 "Machinery" sector. Previously, Trelleborg was classified under sector 25101020 "Tires and rubber." Trelleborg will remain in the Stockholm Stock Exchange's All-share and Benchmark indexes.

PARENT COMPANY

Effective January 1, 2005, the Parent Company applies recommendation RR32 of the Swedish Financial Accounting Standards Council. The opening balance of shareholders' equity rose by SEK 190 M.

Earnings before tax for Trelleborg AB, the Parent Company of the Trelleborg Group, for the period January – December amounted to a loss of SEK 873 M (profit: 3,275). There were no sales. Investments amounted to SEK 13 M (2). The average number of employees was 75 (70).

PROPOSAL TO BE SUBMITTED TO THE ANNUAL GENERAL MEETING ON APRIL 25, 2006

Proposed dividend

The Board and CEO propose that a cash dividend of SEK 5.50 (5.00) per share be paid to shareholders. The Group's dividend policy is that, in the long term, dividends shall comprise 30-50 percent of the net profit for the year. The proposed dividend, corresponding to a total of approx. SEK 497 M, entails about 43 percent of net profit for 2005 being paid in dividends.

Board members

A nominations committee consisting of the Chairman of the Board and representatives of the major owners, corresponding to approximately 65 percent of the votes in Trelleborg, has decided to propose to the Annual General Meeting the election to the Board of the new President, Peter Nilsson. He will replace Trelleborg's former President, Fredrik Arp, who left the Group on September 30, 2005. In addition, the re-election of all current Board members is proposed. The following persons formed the nominations committee: Didrik Normark of the Henry and Gerda Dunkers Foundation, Mats Lagerqvist of Robur, Ramsay Brufer of Alecta, Torsten Johansson of Handelsbanken Fonder and Lars Öhrstedt of AFA/TFA.

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 percent 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.

OUTLOOK FOR THE FIRST HALF OF 2006

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.

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 price pressure during the first half of 2006.

Trelleborg, February 15, 2006

Peter Nilsson

President

Effective from 2005, Trelleborg applies the International Financial Reporting Standards (IFRS) approved by the EU Commission. Comparative figures have been recalculated effective January 1, 2004. This interim report has been prepared in accordance with IFRS. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting principles applied in the preparation of this report are described as applicable in the Trelleborg Group's Annual Report and in the section on the transition to IFRS on pages 17-18 of this report. This report has not been subject to special examination by the Group's auditors. The data presented in the diagrams in this interim report are available in Excel format under Financial Information at www.trelleborg.com.

Invitation to telephone conference, February 15 at 09:30 CET

A telephone conference will be held on February 15 at 09:30 CET. Call +44 (0)20 71 62 0025 and state the password "Trelleborg." Presentation materials will be available at www.trelleborg.com from about 30 minutes prior to the commencement of the conference. The conference will be recorded and will be available for five days following the conference on tel. +44 (0)207-031 40 64, code 691059.

Calendar

Printed Annual Report distribution

during week commencing March 27, 2006

Annual General Meeting and interim report

April 25, 2006

Six-month report

July 19, 2006

Third quarter report

October 27, 2006

Contacts

Bo Jacobsson, Chief Financial Officer

Phone: +46 (0)410-670 99, Mobile: +46 (0)70-685 65 60, e-mail: bo.jacobsson@trelleborg.com

Mikael Byström, Senior Vice-President, Investor Relations

Phone: +46 (0)410-670 37, Mobile: +46 (0)708-55 21 69, e-mail: mikael.bystrom@trelleborg.com

Viktoria Bergman, Senior Vice President, Corporate Communications

Phone: +46 (0)410-670 94, Mobile: +46 (0)708-47 57 33, e-mail: viktoria.bergman@trelleborg.com

Group financial statements, the stakeholder magazine T-TIME and other information on the Trelleborg Group may be ordered from Trelleborg AB, Corporate Communications, Box 153, SE-231 22 Trelleborg, Sweden, by telephone on +46 (0)410-670 09, by fax on +46 (0)410-427 63, by e-mail: info@trelleborg.com or can be downloaded from the Group's website: www.trelleborg.com

Trelleborg AB (publ) • Reg. no. 556006-3421 • Box 153 • SE-231 22 Trelleborg, Sweden • Phone: +46 (0)410-670 00 • Fax: +46 (0)410-427 63 • E-mail: info@trelleborg.com • Internet: www.trelleborg.com

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

Trelleborg Automotive

High raw material costs during the year partly offset by favorable sales in North America

Despite marginally weaker car production in the business area's two main markets, sales increased on an annualized basis. Trelleborg Automotive continued to capture market share in the American antivibration systems (AVS) market and other segments. Operating profit was negatively affected by a combination of increased raw materials costs, lower volumes within certain segments and efficiency losses within Fluid & Acoustic Solutions. Order bookings for the business area's global AVS operations developed positively. During the year, several initiatives were taken to raise production capacity in Mexico, China, India, Korea, Romania and other growth markets.

SEK M	Oct - Dec		Jan - Dec	
	2005	2004	2005	2004
<i>excluding restructuring costs and impairment losses</i>				
Net sales	2,480	2,187	9,550	9,182
Operating profit	135	151	531	587
ROS, %	5.1	6.3	5.3	6.0
Operating cash flow			526	340
Operating cash flow/Operating profit, %			99	58

Additional key ratios on pages 15 - 19

During full-year 2005, car sales in North America increased 0.5 percent, compared with the preceding year, while production declined by 0.3 percent. In Europe, the automotive market remained relatively sluggish. Although prospects improved toward the end of 2005, the year showed a total downturn in car sales, which decreased by 0.7 percent, and in car production, which decreased 0.6 percent, compared with 2004. (*Source: JD Powers/Trelleborg*).

Net sales for the business area rose by 13 percent during the fourth quarter. In comparable currencies/units, sales rose by 1 percent for full-year 2005, compared with 2004. The business area showed favorable growth within the AVS segment in the US, Mexico, Brazil and Asia, which offset lower sales in certain segments in Europe. Operating profit was negatively affected by increased raw materials prices, lower volumes and efficiency losses within Fluid & Acoustic Solutions, for which a new organization and program of measures were implemented.

More efficient management of capital resulted in cash flow improving by SEK 186 M.

During the fourth quarter, the decision was made to establish a new plant in Romania, with production scheduled to start at the new facility at the beginning of 2007. In October, the remaining 45 percent of the shares in the business area's Chinese subsidiary in Wuxi, outside Shanghai, was acquired. The new plant in Wuxi, which focuses mainly on AVS systems, was inaugurated during the year with doubled production capacity. During the year, the decision was also made to raise production capacity in India. Relocation to a new and larger production unit in Noida is under way. Net capitalized production costs, after depreciation, within Trelleborg Automotive amounted to SEK 28 M (18), and for the period January-December to SEK 118 M (105).

The business area's strong global technology platform in AVS operations continued to generate favorable order bookings. Orders with several Asian customers were also signed. After the end of the year the decision was taken to expand operations in South Korea by adding production capacity during the first half of 2006 to be able to handle increased order bookings.

After the end of the year, business area subsidiary Trelleborg Rubore, secured a breakthrough order for the laminate material Visco-Lam™, developed in-house. This order is the first large-scale order for Visco-Lam™ from the electronics industry. The customer is a supplier to several of the world's major manufacturers of computer casings. The company will be using Visco-Lam™ to minimize noise and vibrations in personal computers and servers.

Trelleborg Sealing Solutions

Favorable growth within prioritized industrial segments during 2005

Trelleborg Sealing Solutions reported increased sales and operating profit during the year, primarily as a result of favorable growth within prioritized industrial segments and a focus on selected niches in which safety and comfort are highly valued. Complementary acquisitions in both the product and distribution areas were made during the year. Construction work on the business area's first production facility in China was also started during 2005.

SEK M	Oct - Dec		Jan - Dec	
	2005	2004	2005	2004
Net sales	1,288	1,176	5,166	5,009
Operating profit	160	143	703	676
ROS, %	12.1	12.1	13.5	13.5
Operating cash flow			710	579
Operating cash flow/Operating profit, %			101	86

Additional key ratios on pages 15 - 19

The trend of sales within prioritized industrial and aerospace segments remained favorable during the fourth quarter, while sales to the car industry declined, partly as a consequence of the business area's strategy of focusing exclusively on selected niches, such as fuel, ride and climate control, in which safety and comfort are highly valued. This strategy has been established more rapidly than expected in the automotive segment, which created certain adjustment problems in the production area, especially during the second half of the year.

For the year as a whole, sales in comparable currencies/units increased by 1 percent.

During the year, Trelleborg Sealing Solutions strengthened its presence within strategic segments and geographical areas with the rapid build-out of the marketing and distribution organization in North America and Asia. Among other measures, a new distribution center was placed in operation in the US. In Europe, a number of activities were implemented to strengthen delivery reliability through the continued development and improvement of the business area's entire purchasing and distribution chain. The increased investments in the infrastructure were charged against earnings for the year.

A number of growth initiatives at product and market level were commenced during the year.

Construction of the business area's new plant in Shanghai, China, is expected to be completed during the first quarter of 2006, with start-up during the first half of the year. The plant, which will increase production capacity of high-quality precision seals in PTFE and other materials, will also house a technical center and an additional sales office for the important Chinese market. Initially, the new facility will have about 200 employees.

During the fourth quarter, the operations of Chase-Walton Elastomers Inc. were acquired. This company has annual sales of about SEK 100 M and some 110 employees at two production plants in Hudson, Massachusetts, in the US. Chase-Walton Elastomers designs, develops and manufactures polymer components in silicone, primarily for the aerospace, medical technology and biotech industries. Work to integrate the operations with Trelleborg Sealing Solutions' existing global operations have been started. The operations of distribution company Rollon Hydraulics Pvt, in Bangalore, India, which were acquired during the first quarter, were successfully integrated during the year.

Trelleborg Engineered Systems

Favorable trend in sales and profits during 2005

Due to favorable demand in several product segments, Trelleborg Engineered Systems was able to increase its sales and operating profit during 2005. The continued focus on selected segments with favorable profitability contributed positively. The year was also characterized by a high rate of acquisitions, adding annual sales of slightly more than SEK 1,200 M. The largest acquisition was the CRP Group, providing a market-leading position in oil/gas-extraction projects in sub-sea environments.

SEK M	Oct - Dec 2005	2004	Jan - Dec 2005	2004
<i>excluding restructuring costs and impairment losses</i>				
Net sales	1,223	1,051	4,549	4,133
Operating profit	90	85	325	293
ROS, %	7.4	8.1	7.1	7.1
Operating cash flow			317	321
Operating cash flow/Operating profit, %			98	109

Additional key ratios on pages 15 - 19

Trelleborg Engineered Systems had continued favorable demand in most product segments during the fourth quarter of 2005. In comparable currencies/units, the business area's sales during the year rose by slightly more than 8 percent compared with the preceding year.

The continued strong focus on selected segments with favorable profitability in Industrial Fluid Systems contributed positively to full-year earnings, as did strong sales in project-related operations. During the fourth quarter, a number of projects were delivered at a somewhat lower margin in order to break into new markets and market segments.

During the fourth quarter, a number of acquisitions were conducted.

Andre Structural Bearings in the UK, with annual sales of approximately SEK 10 M, complements Trelleborg's operations in bearings for infrastructure projects, including bearings to protect against seismic movements. Dunlop GRG Holdings Ltd. in Manchester, in the UK, is an engineering company whose operations focus on project-related products for protection and transport in demanding environments. The company has about 50 employees and annual sales of approximately SEK 70 M. The business area also established a joint venture with RPM Engineering Corporation for the production of composite hoses in China. The production facility is situated in Shangyu City in the province of Zhejiang, in central China. The company is initially expected to generate sales of SEK 20 M.

In December, Trelleborg Engineered Systems signed an agreement regarding the acquisition of CRP Group, an engineering company with sales of SEK 1,000 M and 500 employees, primarily in the UK and the US. Trelleborg thereby becomes the global market leader in polymer systems and solutions for oil/gas-extraction projects in offshore environments. Operations mainly involve systems for oil/gas projects in sub-sea environments. The company has operations in systems for seismic surveys of the seabed and in drilling and production, with solutions for deep-sea flow management and buoy systems. The acquisition was concluded in January 2006. Order bookings within CRP have developed particularly favorably.

Earlier in the year, the business area conducted a further three complementary acquisitions. Several of the year's acquisitions generated non-recurring costs with the purpose of securing future synergies – these costs had a negative impact on the business area's earnings.

After the end of the year, the business area secured its first order for a new Elastopipe® application for submarines from the UK Royal Navy.

Trelleborg Wheel Systems

Strong sales and earnings growth during the year

A combination of improved markets, new customers, a favorable selected product mix and high capacity utilization enabled Trelleborg Wheel Systems to show strong growth in sales and earnings during the year. Increases in material costs could largely be offset by product price increases. Expanded capacity at the business area's plant in Sri Lanka is facilitating continued growth in developing markets. The transfer of tire production from the town of Trelleborg was successfully completed and the facility will be closed down during the first quarter of 2006.

SEK M	Oct - Dec		Jan - Dec	
	2005	2004	2005	2004
<i>excluding restructuring costs and impairment losses</i>				
Net sales	732	681	3,023	2,722
Operating profit	39	33	215	157
ROS, %	5.3	4.9	7.1	5.8
Operating cash flow			235	228
Operating cash flow/Operating profit, %			110	145

Additional key ratios on pages 15 - 19

Trelleborg Wheel Systems continued to develop satisfactorily during the fourth quarter, with strong sales, particularly in the industrial tires segment. Sales in comparable currencies/units for the year as a whole were up 9 percent, compared with 2004.

Operating profit for the year rose by 37 percent, compared with the preceding year, due to higher sales volumes mainly within industrial tires, new OEM customers in both segments, a favorable product mix and high capacity utilization. The higher cost of raw materials was largely offset by product price increases during the year.

The market for agricultural tires in Europe was stable, although with certain tendencies toward decreased demand compared with 2004. During the fourth quarter, sales were adversely affected by production stoppages at OEM customers. A carefully selected product mix enabled the business area to continue to capture share in a flat market.

The market for industrial tires continued to grow, both in North America and Europe, which generated a distinct increase in sales. Improved production capacity at the plant in Sri Lanka is helping to provide opportunities for growth in markets being developed by the business area outside Western Europe and North America.

The closure and transfer of tire production from the town of Trelleborg is proceeding according to plan and operations at the plant will cease during the first quarter of 2006.

Trelleborg Building Systems

Stable trend during the year

The Trelleborg Building Systems business area enjoyed a stable trend during the year, with a solid conclusion in the fourth quarter. The business area increased both sales and operating profit compared with 2004. Favorable growth, new customers and an improved production structure in Waterproofing contributed favorably to earnings. The Pipe Seals segment also had a favorable trend thanks to successful marketing activities, among other efforts. In Sealing Profiles, highly refined products with strong profitability continued to be prioritized which temporarily had a negative earnings effect.

SEK M	Oct - Dec		Jan - Dec	
	2005	2004	2005	2004
Net sales	577	546	2,304	2,257
Operating profit	44	34	197	190
ROS, %	7.3	6.1	8.3	8.3
Operating cash flow			230	218
Operating cash flow/Operating profit, %			117	115

Additional key ratios on pages 15 - 19

Demand in the Scandinavian construction market remained favorable during the fourth quarter.

In comparable currencies/units, Trelleborg Building Systems increased its sales for the 2005 full-year by 3 percent compared with the preceding year.

The business area's cash flow improved on an annualized basis, partly as a consequence of favorable effect from the ongoing capital-rationalization project.

Strong sales in Waterproofing with favorable growth and new customers, primarily within roofing operations in Denmark, affected earnings positively. An improved production structure also contributed favorably to earnings.

Increased competition in construction supplies was met through the continued development of new distribution channels and a focus on new, innovative products with higher value added for customers.

As a consequence of successful marketing activities, the sales trend in the Pipe Seals segment was favorable during the year. Earnings were affected positively by increased efficiency and an improved cost structure. During the fourth quarter, operations in the small Swedish company VA Forum were acquired, with approximately SEK 5 M in sales and operations in the after market for pipe seals in Sweden.

In Sealing Profiles, the gradual prioritization continues of highly refined products with favorable profitability. In line with this, the business area has elected to decline orders where the margin is too low, resulting in a temporary negative effect on growth and earnings.

In February 2006, the business area acquired EPG Inc., with approximately 140 employees and annual sales of approximately SEK 170 M. The company has two production units in Aurora, near Cleveland, Ohio, in the US. EPG produces polymer sealing products such as extruded profiles and pipe seals, primarily for the construction industry. EPG is the leader in its niches, primarily within commercial building design and, with an increasing share of the residential market EPG is expected to provide both technical and commercial synergies within the business area.

Financial Reporting

Income Statements ¹⁾				
Group	Oct - Dec		Jan - Dec	
SEK M	2005	2004	2005	2004
<i>Continuing operations</i>				
Net sales	6,182	5,529	24,170	22,912
Cost of goods sold	-4,566	-4,435	-17,665	-17,048
Gross profit	1,616	1,094	6,505	5,864
Selling expenses	-534	-536	-2,077	-2,013
Administrative expenses	-656	-621	-2,461	-2,386
Research and development costs	-129	-134	-476	-493
Other operating income/expense	99	116	255	226
Profit from participation in associated companies	13	15	33	37
Operating profit	409	-66	1,779	1,235
Financial income and expenses	-59	-58	-212	-287
Profit before tax	350	-124	1,567	948
Tax	-57	66	-390	-218
Profit for the period	293	-58	1,177	730
<i>Discontinued operations</i>				
Result from participation in Trenor	-	-	-	47
Result from sales of shares in Trenor	-	-	-	609
Operating profit	-	-	-	656
Profit before tax	-	-	-	656
Profit for the period	-	-	-	656
Total operating profit	409	-66	1,779	1,891
Total profit before tax	350	-124	1,567	1,604
Total profit for the period	293	-58	1,177	1,386
- attributable to equity holders of the parent	288	-59	1,161	1,372
- attributable to minority interest	5	1	16	14

1) Costs have been distributed in accordance with IFRS. Comparison figures have been reclassified accordingly.

Earnings per share				
SEK	Oct - Dec		Jan - Dec	
	2005	2004	2005	2004
<i>Continuing operations</i>				
Earnings ¹⁾	3.20	-0.70	12.90	8.10
Diluted earnings ²⁾	3.20	-0.70	12.90	8.10
<i>Total</i>				
Earnings ¹⁾	3.20	-0.75	12.90	15.55
Diluted earnings ²⁾	3.20	-0.75	12.90	15.55
Number of shares				
<i>Excluding own holdings</i>				
End of period	90,357,261	89,717,261	90,357,261	89,717,261
¹⁾ Average number	90,357,261	89,717,261	90,160,338	88,315,113
End of period after dilution	90,357,261	89,728,866	90,357,261	89,728,866
²⁾ Average number after dilution	90,357,261	89,464,732	90,160,338	88,326,738
<i>Treasury shares</i>				
End of period	5,623,100	6,263,100	5,623,100	6,263,100
Average number	5,623,100	6,263,100	5,820,023	6,469,600

Balance Sheets

Group SEK M	Dec 31 2005	Dec 31 2004
Tangible fixed assets	5,667	5,399
Intangible fixed assets	8,208	7,180
Financial fixed assets	936	873
Total fixed assets	14,811	13,452
Inventories	3,275	2,826
Current operating receivables	6,118	5,366
Interest-bearing current receivables	93	33
Cash and cash equivalents	663	475
Total current assets	10,149	8,700
Total assets	24,960	22,152
Shareholders' equity, excluding minority share	10,041	8,475
Minority share	72	128
Total shareholders' equity	10,113	8,603
Long-term interest-bearing liabilities	5,891	7,150
Other long-term liabilities	1,276	1,197
Total long-term liabilities	7,167	8,347
Interest-bearing current liabilities	2,106	310
Other current liabilities	5,574	4,892
Total current liabilities	7,680	5,202
Total shareholders' equity and liabilities	24,960	22,152

Specification of changes in shareholders' equity SEK M	Dec 31 2005	Dec 31 2004
<i>Attributable to equity holders of the parent</i>		
Opening balance, January 1	8,475	7,307
Adjustment of opening balance of shareholders' equity in accordance with IAS 39	14	-
New share issue in connection with loan conversion	-	207
New share issue in connection with exercise of warrants	-	89
Transfer of treasury shares at exercise of call options	78	79
Cash flow hedges, net after tax	-14	-
Translation difference	1,008	-306
Exchange-rate difference for the period on hedging instruments after tax	-229	123
Profit for the period	1,161	1,372
Dividend	-452	-396
Closing balance	10,041	8,475
<i>Attributable to minority interest</i>		
Opening balance, January 1	128	152
Acquisitions	-102	-27
Translation difference	31	-9
Profit for the period	16	14
Dividend	-1	-2
Closing balance	72	128
Sum Closing balance, shareholders' equity	10,113	8,603

Year-end report 2005

Cash flow statements

SEK M	Oct - Dec 2005		Jan - Dec 2005	
	2005	2004	2005	2004
Operating activities				
Operating profit	409	-66	1,779	1,891
Adjustments for items not included in cash flow:				
Result from disposal of Trenor	-	-	-	-609
Amortization, intangible assets	22	11	65	34
Depreciation, tangible assets	197	199	781	808
Impairment losses	-	313	-	313
Provisions for restructuring measures	-	187	-	247
Undistributed result from participation in associated companies	0	-13	21	-32
	628	631	2,646	2,652
Interest received and other financial items	9	-15	26	31
Interest paid and other financial items	-110	-99	-288	-319
Taxes paid	-133	-100	-405	-379
Cash flow from ongoing operations before changes in working capital	394	417	1,979	1,985
Cash flow from changes in working capital:				
Change in inventories	-145	-62	-160	-146
Change in operating receivables	124	196	-113	-289
Change in operating liabilities	147	-151	204	186
Utilization of restructuring provisions	-27	-4	-107	-30
Cash flow from ongoing operations	493	396	1,803	1,706
Investing activities				
Business combinations	-241	-10	-368	-346
Restructuring measures in business combinations	-16	-68	-63	-248
Disposals	-	-	-	1,097
Gross investments in intangible fixed assets	-53	-40	-184	-170
Gross investments in tangible fixed assets	-196	-246	-692	-841
Sale of fixed assets	22	39	87	91
Cash flow from investing activities	-484	-325	-1,220	-417
Financing activities				
Change in interest-bearing investments	-7	-23	-26	133
Change in interest-bearing liabilities	-28	-187	-23	-1,705
Dividend paid to shareholders	-	-	-452	-396
Dividend paid to minority	-	-	-1	-2
New share issue in connection with the exercise of warrants	-	-	-	89
Transfer of treasury shares in connection with exercise of call options	-	-	78	79
Cash flow from the financing activities	-35	-210	-424	-1,802
Cash flow for the period	-26	-139	159	-513
Cash and cash equivalents:				
At beginning of the period	678	630	475	999
Reclassification at beginning of the period	-	-	-36	-
Exchange rate differences	11	-16	65	-11
Cash and cash equivalents at end of period	663	475	663	475

SEK M	2005	2004	
		Metzeler Automotive Hose Systems	Others
Purchase price incl. acquisition expenses	368	271	75
Net realizable value of acquired assets	77	250	32
Goodwill	291	21	43
Acquired assets and liabilities:			
Tangible fixed assets	25	138	3
Intangible fixed assets	15	-	-
Deferred tax	11	-	-
Associated companies	3	-	-
Operating assets	86	274	8
Cash and cash equivalents	11	31	-
Minority share	-	-	29
Operating liabilities	-63	-162	-8
	88	281	32
Cash and cash equivalents	-11	-31	-
Total	77	250	32

Year-end report 2005

Group review

SEK M	Oct - Dec		Jan - Dec	
	2005	2004	2005	2004
<i>Continuing operations excl restructuring costs and impairment losses</i>				
Net sales	6,182	5,529	24,170	22,912
EBITDA	628	626	2,625	2,637
Operating profit	409	416	1,779	1,795
Profit for the period	293	284	1,177	1,122
<i>Continuing operations incl restructuring costs and impairment losses</i>				
EBITDA	628	457	2,625	2,390
Operating profit	409	-66	1,779	1,235
Profit for the period	293	-58	1,177	730

SEK M	Oct - Dec		Jan - Dec	
	2005	2004	2005	2004
Restructuring costs/impairment losses				
Restructuring costs	-	-169	-	-247
Impairment losses	-	-313	-	-313
Total	-	-482	-	-560
<i>These costs and impairment losses are distributed among the relevant business areas as follows:</i>				
Trelleborg Automotive	-	-179	-	-257
Trelleborg Engineered Systems	-	-118	-	-118
Trelleborg Wheel Systems	-	-185	-	-185
Other companies	-	-	-	-
Total before tax	-	-482	-	-560
Total after tax	-	-342	-	-392

SEK M	Oct - Dec		Jan - Dec	
	2005	2004	2005	2004
Net sales				
Trelleborg Automotive	2,480	2,187	9,550	9,182
Trelleborg Sealing Solutions	1,288	1,176	5,166	5,009
Trelleborg Engineered Systems	1,223	1,051	4,549	4,133
Trelleborg Wheel Systems	732	681	3,023	2,722
Trelleborg Building Systems	577	546	2,304	2,257
Eliminations	-118	-112	-422	-391
Total	6,182	5,529	24,170	22,912

SEK M	Oct - Dec		Jan - Dec	
	2005	2004	2005	2004
Operating profit before depreciations (EBITDA)				
<i>Continuing operations excluding restructuring costs</i>				
Trelleborg Automotive	232	245	913	961
Trelleborg Sealing Solutions	205	184	875	837
Trelleborg Engineered Systems	123	119	448	422
Trelleborg Wheel Systems	62	56	310	262
Trelleborg Building Systems	61	50	258	253
Other companies	-1	0	-9	-2
Group items	-54	-28	-170	-96
Total	628	626	2,625	2,637
<i>Continuing operations including restructuring costs</i>				
Trelleborg Automotive	232	203	913	841
Trelleborg Sealing Solutions	205	184	875	837
Trelleborg Engineered Systems	123	76	448	379
Trelleborg Wheel Systems	62	-28	310	178
Trelleborg Building Systems	61	50	258	253
Other companies	-1	0	-9	-2
Group items	-54	-28	-170	-96
Total	628	457	2,625	2,390

Year-end report 2005

	Oct - Dec		EBITDA, % ¹⁾	
	2005	2004	Jan - Dec 2005	2004
<i>Continuing operations excluding restructuring costs</i>				
Trelleborg Automotive	9.0	10.6	9.3	10.1
Trelleborg Sealing Solutions	15.6	15.5	16.9	16.7
Trelleborg Engineered Systems	10.1	11.3	9.9	10.2
Trelleborg Wheel Systems	8.5	8.4	10.2	9.7
Trelleborg Building Systems	10.1	9.0	11.0	11.1
Total	9.9	11.1	10.7	11.4
<i>Continuing operations including restructuring costs</i>				
Trelleborg Automotive	9.0	2.5	9.3	8.8
Trelleborg Sealing Solutions	15.6	15.5	16.9	16.7
Trelleborg Engineered Systems	10.1	0.0	9.9	9.2
Trelleborg Wheel Systems	8.5	-18.8	10.2	6.6
Trelleborg Building Systems	10.1	9.0	11.0	11.1
Total	9.9	2.4	10.7	10.3

1) Operating profit before depreciations excluding participations in associated companies in relation to net sales.

SEK M	Oct - Dec		Operating profit	
	2005	2004	Jan - Dec 2005	2004
<i>Continuing operations excluding restructuring costs and impairment losses</i>				
Trelleborg Automotive	135	151	531	587
Trelleborg Sealing Solutions	160	143	703	676
Trelleborg Engineered Systems	90	85	325	293
Trelleborg Wheel Systems	39	33	215	157
Trelleborg Building Systems	44	34	197	190
Other companies	-3	-2	-17	-10
Group items	-56	-28	-175	-98
Total	409	416	1,779	1,795
<i>Continuing operations including restructuring costs and impairment losses</i>				
Trelleborg Automotive	135	-28	531	330
Trelleborg Sealing Solutions	160	143	703	676
Trelleborg Engineered Systems	90	-33	325	175
Trelleborg Wheel Systems	39	-152	215	-28
Trelleborg Building Systems	44	34	197	190
Other companies	-3	-2	-17	-10
Group items	-56	-28	-175	-98
Total	409	-66	1,779	1,235

	Oct - Dec		Operating margin, (ROS) % ¹⁾	
	2005	2004	Jan - Dec 2005	2004
<i>Continuing operations excluding restructuring costs and impairment losses</i>				
Trelleborg Automotive	5.1	6.3	5.3	6.0
Trelleborg Sealing Solutions	12.1	12.1	13.5	13.5
Trelleborg Engineered Systems	7.4	8.1	7.1	7.1
Trelleborg Wheel Systems	5.3	4.9	7.1	5.8
Trelleborg Building Systems	7.3	6.1	8.3	8.3
Total	6.4	7.3	7.2	7.7
<i>Continuing operations including restructuring costs and impairment losses</i>				
Trelleborg Automotive	5.1	-1.9	5.3	3.2
Trelleborg Sealing Solutions	12.1	12.1	13.5	13.5
Trelleborg Engineered Systems	7.4	-3.1	7.1	4.2
Trelleborg Wheel Systems	5.3	-22.3	7.1	-1.0
Trelleborg Building Systems	7.3	6.1	8.3	8.3
Total	6.4	-1.5	7.2	5.2

1) Operating profit excluding participations in associated companies in relation to net sales.

Year-end report 2005

	Return on capital employed, (ROA) % ²⁾	
	Jan - Dec 2005	2004
<i>Continuing operations excluding restructuring costs and impairment losses</i>		
Trelleborg Automotive	9.6	11.1
Trelleborg Sealing Solutions	10.6	10.9
Trelleborg Engineered Systems	16.9	15.6
Trelleborg Wheel Systems	15.3	10.4
Trelleborg Building Systems	21.9	21.0
Total	10.8	11.2
<i>Continuing operations including restructuring costs and impairment losses</i>		
Trelleborg Automotive	9.7	6.2
Trelleborg Sealing Solutions	10.6	10.9
Trelleborg Engineered Systems	17.1	9.3
Trelleborg Wheel Systems	16.0	-1.8
Trelleborg Building Systems	21.9	21.0
Total	10.9	7.7

2) Operating profit in relation to average capital employed.

SEK M	Capital employed ³⁾	
	Dec 31 2005	Dec 31 2004
<i>Continuing operations</i>		
Trelleborg Automotive	5,769	5,132
Trelleborg Sealing Solutions	6,787	6,119
Trelleborg Engineered Systems	2,078	1,758
Trelleborg Wheel Systems	1,443	1,317
Trelleborg Building Systems	858	859
Other companies	105	144
Group items	-37	-33
Provisions for restructuring measures	-81	-184
Total	16,922	15,112

3) Total assets less interest-bearing investments and non-interest bearing operating liabilities (including pension liabilities), and excluding tax receivables and tax liabilities.

Jan - Dec	EBITDA excluding undistributed result from associated companies				Gross investments		Sold fixed assets		Change in working capital		Cash flow report	
SEK M	2005	2004	2005	2004	2005	2004	2005	2004	Total cash flow		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	
Restructuring measures for which provisions were made in the acquisition balance sheet									-63		-248	
Other restructuring measures									-107		-30	
Dividend paid to minority									-1		-2	
Financial items									-262		-288	
Paid tax									-405		-379	
Free cash flow									950		536	
Acquisitions									-368		-346	
Disposals									-		1,097	
Dividend paid to shareholders									-452		-396	
Exercise of warrants and call options									78		168	
Sum net cash flow									208		1,059	

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

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

The primary changes for the Trelleborg Group are the adjustments to IFRS 3 Business Combinations and IAS 39 Financial Instruments: Recognition and Measurement. The tables below show shareholders' equity and net profit in accordance with IFRS and the effect of IAS 39 on the opening balance of shareholders' equity at January 1, 2005.

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

	Oct - Dec 2004	Full year 2004
Profit for the period, SEK M		
Profit for the period, continuing operations in accordance with previous accounting principles	-157	332
Reversal of goodwill amortization	103	403
Restructuring costs affecting calculation of goodwill	-6	-24
Tax	1	5
Profit for the period attributable to equity holders of the parent for continuing operations in accordance with IFRS	-59	716
Profit for the period, discontinued operations in accordance with previous accounting principles	-	656
Profit for the period attributable to equity holders of the parent for discontinued operations in accordance with IFRS	-	656
Profit for the period attributable to equity holders of the parent in accordance with previous accounting principles	-157	988
Total profit for the period attributable to equity holders of the parent in accordance with IFRS	-59	1,372

IFRS 1 – First-time adoption of IFRS

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

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

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

IFRS 3 – Business Combinations

IFRS 3 stipulates that goodwill and other intangible assets with an indefinite useful life are no longer amortized but, instead, impairment-loss testing is conducted on an annual basis, or more frequently if there is an indication of impairment. The Trelleborg Group conducted impairment-loss testing in the fourth quarter of 2004 to determine the value of goodwill. This testing did not indicate any impairment losses. In conjunction with the transition to IFRS, goodwill amortization for the 2004 full-year was reversed in an amount of SEK 403 M. Impairment testing will be conducted annually during the fourth quarter or whenever there is any indication of impairment.

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

Restructuring reserves that have affected the calculation of goodwill are not permitted. An adjustment has been made for the restructuring reserves that affected the goodwill amount for acquisitions made in 2004. This adjustment amounted to SEK 18 M for the period January - September 2004 and SEK 24 M for the full year 2004.

IAS 39 – Financial Instruments: Recognition and Measurement

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

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

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

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

The Group assesses that embedded derivatives do not exist.

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