

Achievements 2006

Continued favorable growth ✓ Increased presence in Asia and Eastern Europe ✓ Strengthened positions in Offshore, Aerospace and Industry ✓ Improved operating profit in three of four business areas ✓ Active portfolio management of products and positions commenced, first activities initiated ✓



ANNUAL REPORT 2006

In focus 2007

Increased profitability through active portfolio management □ Continued focus on growth markets □ Stronger positions in priority segments □ Improved margins through operational excellence □ Action program within Trelleborg Automotive □ Target-oriented leadership □



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 2006 in Swedish.

All values are expressed in Swedish kronor. Kronor is abbreviated to SEK and millions of kronor to SEK M. Unless otherwise stated, figures in parentheses relate to the 2005 fiscal year.

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

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



The Trelleborg Group's Annual Report 2005 was ranked sixth best in the world when research company e.com and investor magazine Real IR conducted their global annual survey. The Trelleborg Group also received a commendation in the Major Companies category in the Nordic Exchange's contest for "Best Annual Report 2005".



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Financial information

Interim reports, annual 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.

Your opinion is welcome

Can we make our Annual Report even better? We welcome your views and suggestions, e-mail: annualreport@trelleborg.com.

Calendar

Annual General Meeting	April 25
Three-month interim report	April 25
Six-month interim report	July 24
Nine-month interim report	October 26

Shareholder contacts

Bo Jacobsson, Chief Financial Officer
Tel: +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
Tel: +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
Tel: +46 (0)410-670 94, Mobile: +46 (0)708-47 57 33
e-mail: viktoria.bergman@trelleborg.com

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 AB was founded in 1905 and its headquarters are located in Trelleborg, Sweden. Today, the Group has about 23,000 employees and operations in some 40 countries.

Four business areas

Trelleborg Engineered Systems*

Engineered solutions for several market segments, including the process industry, infrastructure, construction and offshore/oil and gas extraction.



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 Wheel Systems

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



Leading market positions

● = ranked 1st to 3rd



Industrial hoses	●	●	●
Rubber sheetings	●	●	●
Marine fender systems	●	●	●
Dredging hoses	●	●	●
Tunnel seals	●	●	●
Chemical protection suits	●	●	●
Oil hoses	●	●	●
Polymer-coated fabrics	●	●	●
Industrial vibration damping	●	●	●
Polymer solutions for oil/gas	●	●	●
Printing blankets	●	●	●
Industrial profiles	●	●	●
Consumer profiles	●	●	●
Pipe seals	●	●	●
Sealing membranes, rubber	●	●	●

Vibration damping for the Automotive industry	●	●	●
Brake shims	●	●	●
Vehicle boots	●	●	●
Engine cooling hoses	●	●	●



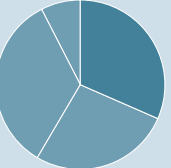
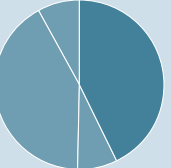
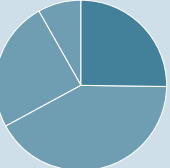
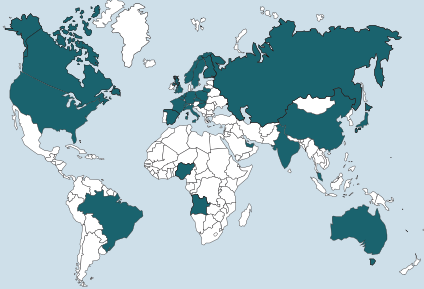




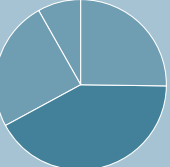
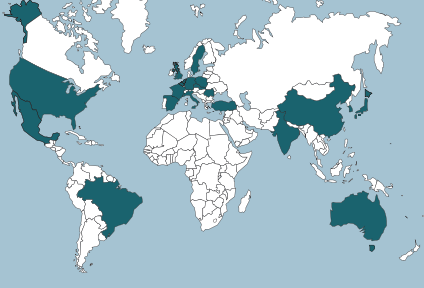



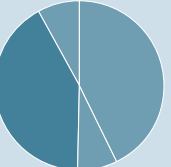
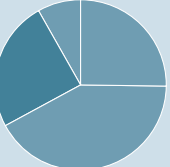
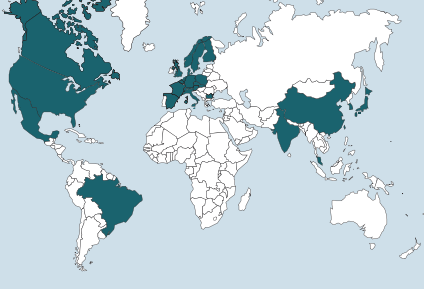




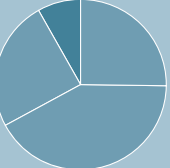
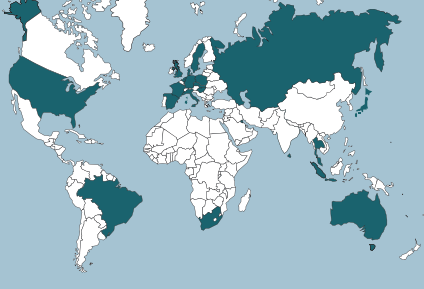
Precision seals for the aerospace industry	●	●	●
Precision seals for the automotive industry	●	●	●
Precision seals for industrial applications	●	●	●

Agricultural tires	●	●	●
Solid industrial tires	●	●	●

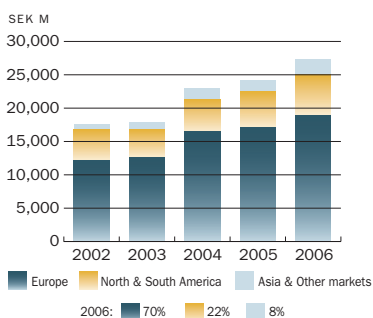
Solutions
Securing
Values™

*Trelleborg Building Systems was integrated with Trelleborg Engineered Systems from year-end 2006. As a result of this merger, the Group now comprises four instead of five business areas.

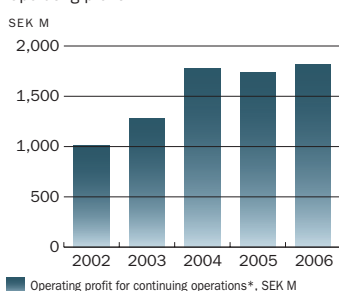
● = EU
● = NAFTA
● = Global

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 and sales offices</i>
33.5 % (SEK 9,310 M) 	40.5 % (SEK 805 M) 	31.5 % (SEK 5,920 M) 	42.8 % (SEK 815 M) 	25.2 % (5,717) 	
35.1 % (SEK 9,493 M) 	10.8 % (SEK 214 M) 	26.9 % (SEK 5,053 M) 	7.6 % (SEK 145 M) 	41.8 % (9,488) 	
19.8 % (SEK 5,389 M) 	36.5 % (SEK 726 M) 	34 % (SEK 6,374 M) 	41.6 % (SEK 794 M) 	24.8 % (5,618) 	
11.6 % (SEK 3,145 M) 	12.2 % (SEK 243 M) 	7.6 % (SEK 1,418 M) 	8 % (SEK 153 M) 	8.2 % (1,851) 	

Sales by geographical region



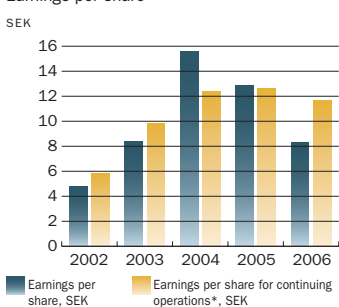
Operating profit



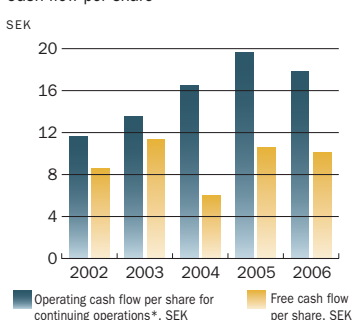
Return on shareholders' equity



Earnings per share



Cash flow per share



* Excluding restructuring costs and impairment losses.
For 2002-2003, excluding goodwill amortization.

Trelleborg Group 2006

- Net sales for the year rose by 13 percent to SEK 27,284 M (24,170). Organic growth amounted to 6 percent.
- Operating profit was SEK 1,507 M (1,779) and net profit was SEK 766 M (1,177).
- Free cash flow amounted to SEK 918 M (949).
- Acquisition of 11 new businesses, including the CRP Group and Reeves Brothers Inc., that strengthen the Group's positions in a number of selected strategic segments.
- Continued focus of operations. Divestment of Goodall Rubber Company.
- Increased presence in new growth markets, including new plants in Shanghai, China and Dej, Romania.
- Continued consolidation of production capacity and relocation to growth markets.
- Program of operational and strategic measures initiated to strengthen long-term positions and profitability within Trelleborg Automotive.
- Trelleborg Building Systems integrated with Trelleborg Engineered Systems from year-end 2006. As a result of this merger, the Group now comprises four instead of five business areas.
- Proposed dividend for fiscal year 2006: SEK 6.00 (5.50).

Key figures

	2006	2005
Net sales, SEK M	27,284	24,170
Operating profit, SEK M	1,507	1,779
Profit before tax, SEK M	1,193	1,567
Net profit, SEK M	766	1,177
Earnings per share, SEK	8.30	12.90
Free cash flow, SEK M	918	949
Free cash flow per share, SEK	10.15	10.55
Net debt, SEK M	9,350	7,236
Debt/equity ratio, %	96	72
Return on shareholders' equity, %	7.6	12.5
Average number of employees	22,506	21,694

Operating key figures*)

	2006	2005
Net sales, SEK M	27,041	23,509
Operating profit, SEK M	1,815	1,738
Profit before tax, SEK M	1,502	1,530
Net profit, SEK M	1,067	1,152
Earnings per share, SEK	11.65	12.60
Operating margin (ROS), %	6.6	7.3
Return on capital employed (ROA), %	9.8	10.7
Return on shareholders' equity, %	10.7	12.3
Operating cash flow, SEK M	1,607	1,770
Operating cash flow per share, SEK	17.80	19.65
Operating cash flow/operating profit, %	89	102
Net debt/EBITDA, multiple	3.4	2.8
EBITDA/net financial items, multiple	8.7	12.4

*) Based on continuing operations, excluding restructuring costs and impairment losses.
For definitions, see page 94.

Our strategies create added value for customers and shareholders

The year 2006 was a positive one for Trelleborg, with continued market expansion, favorable growth and sales that exceeded our targets. However earnings did not meet our expectations. This was largely due to increases in the price of raw materials and efficiency problems in one of our business areas. The other business areas achieved their earnings targets, confirming that our strategic priorities function well and provide favorable conditions for continuing to create added value for customers and shareholders in the years to come.



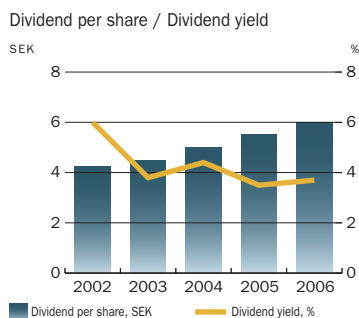
The Trelleborg Group continued its successful expansion in 2006, strengthening its global market positions in most areas of operation. It is satisfying that sales increased more rapidly than the Group average for the past five years and exceeded our relatively aggressive growth target. Our positive organic growth of 6 percent, which corresponded to twice the annual average since 2002, was particularly gratifying. Organic growth is important. We generate it ourselves through proprietary research and development of new product applications and solutions and increased sales in old and new markets. Accordingly, in 2006, we received confirmation that these efforts had been successful,

that they are appreciated by our customers and have provided us with more growth than the underlying market.

Favorable growth

We also grew through our active acquisition program. In 2006, we acquired 11 companies in 10 countries. This demonstrates our willingness to advance more rapidly in the technologies and market segments that have genuinely attractive profitability prospects. Many of our smaller acquisitions can be viewed as organic growth, since they are directly integrated and supply complementary products or geographic market penetration.

Based on these developments, I am sat-





ified with our efforts in 2006 and that we increased the pace of the Group's market performance.

However, I am not satisfied with our earnings. The operating profit and operating

“The organic growth was particularly gratifying”

margin declined. This trend was mainly attributable to considerable price increases for raw materials and primarily applies to the operations that focus on the automotive

industry. The raw material price increases had an adverse impact on the Trelleborg Automotive business area, where we also had efficiency problems in certain areas. In addition, the major US car manufacturers cut production sharply during the year.

A series of measures to strengthen profitability in the Trelleborg Automotive business area are now in progress.

The other three business areas continued their positive trend and delivered in line with expectations. Combined, these operations expanded by 21 percent and increased their operating profit by 22 percent, which is better than the historic trend. The increase in the price of raw materials had less impact

due to the healthy demand for, and the high added value of, products and solutions, and could be offset by price increases and efficiency measures.

In brief: a good year. Our strategies created added value for customers and shareholders. Earnings per share amounted to SEK 8.30. Earnings per share for continuing operations, excluding restructuring costs and impairment losses, amounted to SEK 11.65. The Board is demonstrating its confidence in the Group's strength and future by proposing a dividend of SEK 6.00 per share.



To create value for customers, shareholders and employees and to realize our business concept of being specialists in sealing, damping and protecting in demanding industrial environments, Trelleborg has a number of priorities in the future.

Refined structure drives profitability

First of all, we will continue refining the business structure and product portfolio and believe that we must continuously advance toward leading positions in long-term, attractive segments. This drives growth but primarily it drives earnings because we prioritize opportunities for higher margins. Portfolio management follows two systematic processes. We call the first of these Global Growth Initiatives, where we have identified segments in which we aim, and have the opportunity, to be the leader. We call the second Up or Out – meaning that if we do not increase the earnings from the operation, we exit.

Growth focus

Our growth focus includes segments in demanding industrial environments. These are, for example, offshore oil and gas extraction, the aerospace industry, the chemicals industry, pharmaceuticals, infrastructure and the construction industry. Advancing positions in these areas often occur through acquisition of small or medium-size companies, which not only provide attractive market positions, but also diversification into complementary technologies, new materials and

geographic spread. In other words, enhanced competence, broadening of the market and the spread of risk. But it is also a matter of concept and solution developments, increased service content, strengthening customer relations and taking the initiative to consolidate markets.

Up or Out

Up or Out involves structured work and action plans to optimize our product portfolio. We exit operations and areas in which the conditions do not meet our profitability targets or are no longer compatible with our core business. One example was the divestment of hose distributor Goodall. The reason that there have not been especially many divestments during the year was that parts of these operations were faced with such challenges as high prices of raw materials, which pull down key data, and consequently, values.

Refining the business structure and product portfolio is a strategy that drives profitable growth for Trelleborg. The priority areas have significantly increased their share of the Group and many of them have highly positive margins.

With our continued focus on the systematic work with Global Growth Initiatives and Up or Out, we can more clearly prioritize and control our operation, and in this manner, gradually raise the Group's profitability level in the long term.

Continuous portfolio management





Global growth, focus on system solutions

Global Growth Initiatives also support our other priorities, which, more clearly defined, are aimed at increased growth. Portfolio management and growth initiatives both work in combination and gain their driving force and dynamics from the same processes and activities, namely acquisitions, innovations and development of better solutions.

We will increase our presence in the large growth markets in Asia, Latin America and Eastern Europe by capturing market shares and developing markets with our proprietary product and system development. Acquisition is another important route for us to take, giving us added momentum in

these economies, which often grow more than twice as fast as our traditional markets. This usually involves the smaller acquisitions that provide us with a bridgehead on which we create a platform for further development in the market in question.

Many of the countries we talk about double their GDP in a decade or even faster. We are now seeing that possibly a billion people are being taken from poverty into market economies and growing prosperity. This will be a formidable source of demand for our customers and the products and solutions for which we are experts.

Today, we are already present in a num-

ber of countries outside the mature markets of North America and Europe. Our sales in the new markets are also growing very rapidly, by more than 130 percent since 2002, to the current 12-percent share of the Group's sales. All our business areas are now represented in the major regions of Asia, Latin America and Eastern Europe, and we are continuing our expansion with ongoing or planned investments in Romania, Sri Lanka, Angola, Brazil, the Middle East and the Baltic States, not to mention continued activities in China and India.

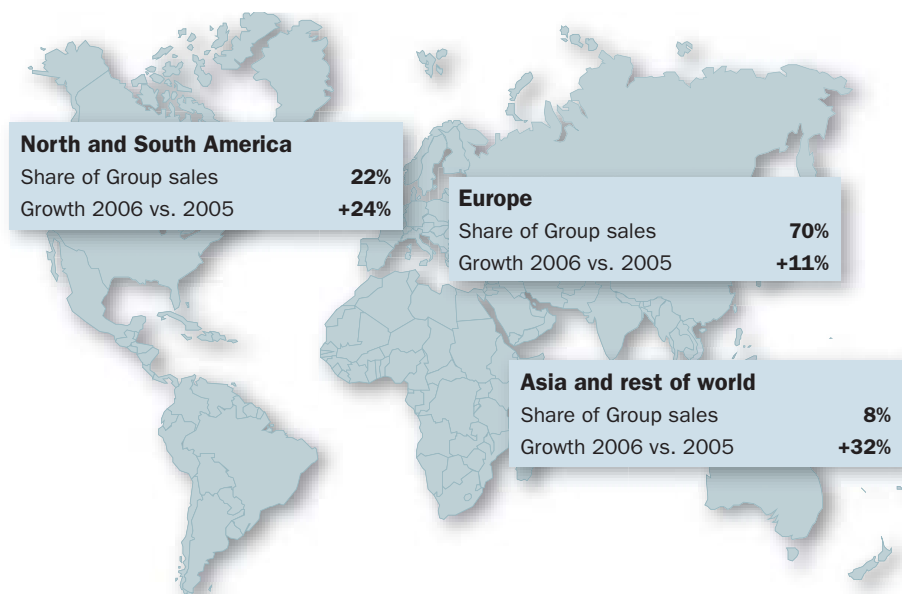
Development in cooperation with our customers

The geographic positioning coincides with development of our technologies, products, systems and solutions. Our goal when investing in these markets is to employ state-of-the-art technologies, allowing us to also benefit from high-quality and efficiently manufactured products and solutions in mature markets.

And there, with the energy of our long-established customer contacts and favorable market positions, Trelleborg has significant, continued growth possibilities.

As a business-to-business company, our specialty is to offer customized, unique products and to pursue development in cooperation with our customers. We sell solutions based on extensive polymer and applications expertise. It is a matter of advanced and innovative solutions within new materials and technology, and solutions with an enhanced service content. Thanks to our development organization, we have a competitive edge. Our many development centers close to our customers have innovation capacity with resources to conduct strategic product and materials development in cooperation with customers.

Sales growth





▶▶▶ Continuous improvement generates better margins

The third strategic priority is continuously better margins through continuous improvements. For us at Trelleborg, this is a hygiene factor; work that must be addressed with the highest priority day in, day out – always. Our aim is to be even better in this area.

The focus of my work right now is efficiency enhancement to achieve competitive costs and competitive prices for customers. We are prepared to implement structural changes if it secures better positions for the individual unit or the Group in its entirety. But our principal line is that each manager is responsible for ensuring that improvement through many small steps becomes part of the culture and the employees' daily work.

Within the framework of continuous improvements and efficiency enhancements, we have established a Group-wide function to coordinate and manage purchases. We intend to concentrate volumes to a smaller number of suppliers to raise quality and lower costs. The new Group function offers better control and monitoring of our total cost mass.

Customer proximity and customer satisfaction

The growth strategy of increasing our presence in new markets also supports the efforts to strengthen the margins through continuous improvements. Our growing production base in these countries makes considerable contributions to increase competitiveness, although lower costs are not the only motive for establishing a presence. Customer proximity and service level are just as important.

A significant task, to which we are now attaching even greater importance, is to increase the level of outsourcing. Purchased products provide enhanced flexibility in the operation and greatly improve our ability to offer customers complete solutions.

Continuous improvement to achieve better margins is not only a question of holding down costs, enhancing efficiency and cutting back, but also of efficient administration, correct use of development resources, prioritizing correctly between various projects and customers, doing things in the right order and providing customers the right service at the right time. As a further support for continuous improvement, we have developed a structured process that clarifies priorities, defines targets and ensures that time and resources are allocated so that the desired changes occur.

▶▶▶ Good managers make the difference

Good managers make the difference

Driving change is a necessary demand for Trelleborg's success. Plans are of no use unless they are implemented. Accordingly, our fourth strategic priority is the development of even better target-oriented leadership, an area in which we have excellent traditions. The Trelleborg Group is operated with decentralized management responsibility, which means that many leaders and managers in

by focusing on characteristics that drive development, renewal and controlled risk-taking. In these processes, we have invaluable support from Trelleborg's Core Values and Code of Conduct.

Our values form the basis

Our Core Values are summarized in the guiding principles of customer focus, performance, innovation and responsibility. These

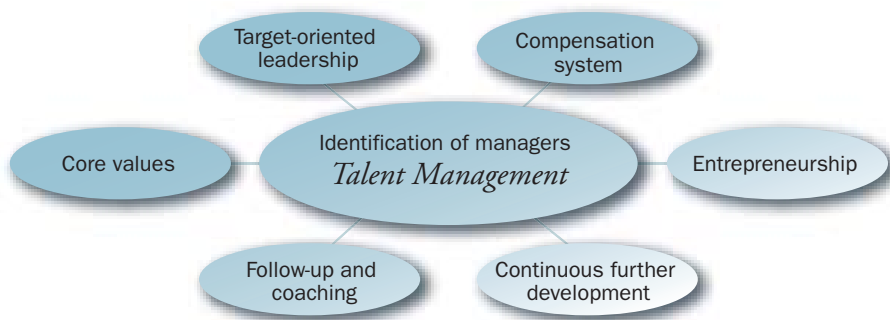
Outlook for the first half of 2007

For general industry, demand is not expected to decline, while the very strong demand within the aerospace and oil/gas segments will continue. Cutbacks in production, mainly among North American customers, are expected to have adverse effects on automotive-related operations.

Personal efforts create value

We have successively positioned ourselves in the niches where our competence gains an increasing leverage on profitability. We will do our best to ensure that all of Trelleborg's employees, customers, shareholders and other stakeholders benefit from this.

I would like to thank all of our employees for their continued fine efforts during the past year. We are a global company, but the real work is conducted locally, in each unit, and out in our customers' operations. It is all of the many personal efforts each day to perform their duties a little better, that drive our Group forward and create value for our customers and shareholders.



the Group acquire broad knowledge and experience of running companies in an international environment early in their careers.

As a result of the increasing complexity and intensified focus on the Group's profitability, we are now also tightening our control of the various units by applying clearer strategies that are better adapted to our goals and market conditions. However, this does not impinge upon the principle of decentralized responsibility. Rather, we are increasing the emphasis on entrepreneurial skills in our recruitment and development

form the basis of the continuous management training that emphasizes the honing of skills to establish clear goals, delegate work assignments and responsibility to employees, follow up work efforts and provide support and feedback, while also stimulating continued interest in constant further development. This is a highly structured process at Trelleborg and one that is necessary to ensure that we always have the best supply of leaders and managers. Our business model requires competent managers and we will continue to focus on development in this area.

Trelleborg, February 2007

Peter Nilsson, President and CEO

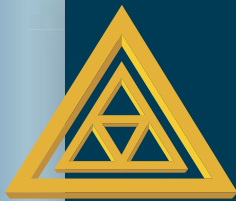
Solutions Securing Values™

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.

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. Functions that are vital for customers within selected segments of the global markets for aerospace, agricultural, automotive, infrastructure/construction, transportation, oil/gas and other industry sectors. 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.

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 600 billion

annually. The European and North American shares combined comprise nearly 60 percent. The industrial rubber market comprises such product areas 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 15 percent to approximately 30 percent over the past five years. Trelleborg is playing an active role in this process.

Global presence

The development of advanced solutions in cooperation with customers requires advanced development units in close proximity to the customer. Accordingly, the Group has established a network comprising some 40 proprietary development centers covering all continents. In these centers, products and

Global industrial rubber suppliers*

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

*Based on sales

Source: Rubber & Plastic News, July 2006/Trelleborg

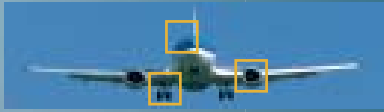
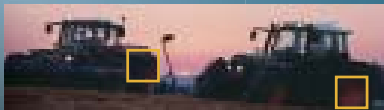

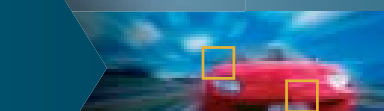
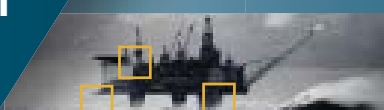
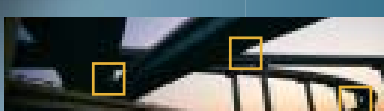

** Trelleborg includes CRP, but not Reeves and other acquisitions during 2006.

components are fine-tuned, developed and tested. In addition to the development units and a fine-meshed network of market

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

offices, the global presence also encompasses globally coordinated production close to the customer.

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 customers' situations and needs.

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

Core industrial expertise

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 Core Values

Trelleborg's basic values are summarized in the four guiding principles: customer focus, performance, innovation and responsibility. In their daily efforts, Group employees are guided by the culture and values developed

over the years. With shared values, a continuity is established, necessary in building and maintaining operations that are successful over the long term.

In conjunction with a well-defined code of conduct and specific principles regulating corporate governance, our values create a strong, sustainable Group for the benefit of all Trelleborg's stakeholders.



On a daily basis, the four Trelleborg triangles remind us of our four basic values; customer focus, performance, innovation and responsibility

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 conviction 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

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 elements:

- 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.

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 seg-

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-driven 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.

- 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

Growth

Target

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 percent annually over an economic cycle.

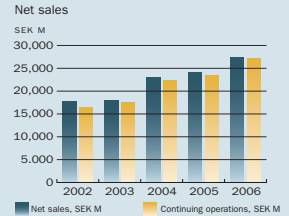
Description

Growth shall be achieved through a combination of organic growth and acquisitions of new and complementary operations. Organic growth will be achieved through proprietary product development and penetration of new geographic markets. Over the past five years, sales have increased by an average of 9 percent annually. During the same period, organic growth has increased by an average of 2 percent.

Fulfillment

In 2006, sales growth amounted to 13 percent

With the following breakdown:
 Organic growth +6 percent
 Acquisitions/divestments +7 percent
 Exchange-rate fluctuations +0 percent



Return on capital employed*

The target for return on capital employed is 15 percent over the long term before tax.

This has been deemed a reasonable level since the bulk of fixed assets are a mix of older assets with lower carrying values and assets that have been acquired at market value in recent years.

During 2006, return on capital employed amounted to 9.8 percent (10.7). The Trelleborg Engineered Systems and Trelleborg Wheel Systems business areas both had returns that exceeded 16 percent. Trelleborg Sealing Solutions, which was acquired in 2003, had a return of about 11 percent. The return for Trelleborg Automotive was more than halved to 4 percent.

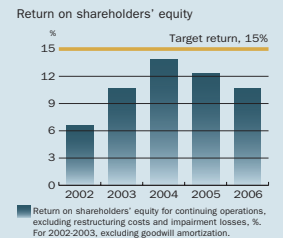


Return on shareholders' equity*

The target return on shareholders' equity is 15 percent after tax.

This is a reasonable target in view of the targets established for return on capital employed and the capital structure. Key factors contributing to an ongoing favorable trend include improvement in the return on capital employed and an optimal capital structure.

In 2006, return on shareholders' equity amounted to 10.7 percent (12.3). The lower level of return is a result of a lower return on capital employed.

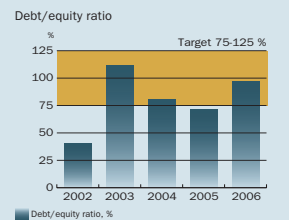


Debt/equity ratio

The target for the Group's capital structure is set to achieve an optimized balance between risk and return. Accordingly, the Group has determined that a debt/equity ratio within the interval of 75-125 percent is reasonable considering sensitivity to fluctuations in the business cycle and to favorable cash-generating capacity.

To remain within the target interval, we maintain an aggressive acquisition strategy using our strong cash flow. However, acquisition is never an end in itself, but must fulfill the acquisition criteria established by the Group. If suitable objects are not available, other ways of returning equity to shareholders may be considered.

At year-end 2006, the debt/equity ratio was 96 percent, that is, within the target interval. Purchase considerations paid for acquisitions increased net indebtedness by SEK 3.1 billion, which corresponds to an increase in the debt/equity ratio of slightly more than 30 percent calculated on the closing balance of shareholders' equity.

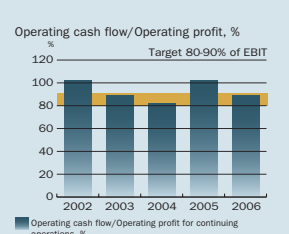


Operating cash flow*

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 percent of underlying operating profit (EBIT).

To achieve the target, we work continuously within the Group with a number of capital-rationalization projects, which, among other benefits, enable attractive financing solutions for our suppliers.

In 2006, Trelleborg achieved an operating cash flow of 89 percent of operating profit. The level is within the target interval and shows that, despite an increased growth rate, we limited the increase in tied-up capital in operating capital through enhanced efficiency.



Margin targets*

In the autumn of 2005, a more short-term margin target was announced – EBITDA margin (earnings before interest, taxes and depreciation/amortization in relation to net sales), which supplements the return targets. The medium-term target is that this margin will reach a level of 12 percent or better.

The target shall be realized through volume growth and measures to enhance the company's structure and efficiency. Active work with the product portfolio is also expected to contribute to improved margins.

In 2006, the EBITDA margin amounted to 10 percent. A reduction of 0.8 percent compared with the preceding year is attributable to the lower margin within Automotive.

* Continuing operations, excluding restructuring costs and impairment losses.



Business area President:

Lennart Johansson

Net sales 2006: SEK 9,310 M

Operating profit 2006*: SEK 805 M

Number of employees:** 6,918

Production units:

Australia, China, Czech Republic, Denmark, Finland, France, Germany, Italy, Lithuania, the Netherlands, Norway, Poland, Singapore, Spain, Sweden, the UK and the US.

Strategic priorities:

- Geographic expansion: strengthened presence in Asia and Latin America, tactical acquisitions that support expansion in key markets.
- Portfolio management: Investments in attractive segments, exit less attractive segments.
- Improved cost structure through efficiency enhancements, outsourcing and manufacturing in low-cost countries.

Examples of brands:

Elastopipe®, Viking, Trellech®®, Trelleline®, Vulcan, Dipro®, ETM®, Matak®®, Phønix Tag®, Trebolit®, Uraduct® and Värnamo®.

Market position:

Industry: World-leading within polymer-coated fabrics. Market-leading in Europe within industrial hose systems and industrial anti-vibration products.

Infrastructure Construction: World-leading within marine fender systems, tunnel seals, dredging systems and protective clothing. In certain geographic markets, the business segment also has a leading position within bridge bearings and bridge expansion joints. Market leader within pipe seals in Europe.

Offshore: World-leading in a number of niches within offshore, oil and gas.

Building: Market leader in Northern Europe and holds a leading position in high-quality sealing profiles for the consumer market in North America.

Key customers:

Companies within infrastructure, oil and gas, offshore, food, chemicals, the graphic industry, the transport industry and major distributors of industrial commodities. Window manufacturers and companies within the construction industry.

Principal competitors:

Industry: Contitech, Semperit, IVG, Bridgestone and Hutchinson.

Infrastructure Construction: Yokohama, Contitech, Bridgestone and Hutchinson.

Offshore: Cuming Corp., Contitech and Bridgestone.

Building: Semperit, Icopal and Schlegel.

Innovative engineering solutions for sealing, protection and safety under extreme conditions

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

Four business segments

Industry: precision components and systems in polymer materials, such as hoses, elastomer laminates, polymer-coated fabrics, other special products, such as printing blankets for the graphics industry, and industrial antivibration applications.

Infrastructure Construction: specialized solutions for infrastructure projects, for example, fender systems for harbors, tunnel seals, dredging systems, pipe seals, acoustic and vibration-damping solutions for railways, bridges and buildings, and protective suits and diving suits.

Offshore: niche-oriented products for offshore oil and gas extraction.

Building: Polymer and bitumen-based construction products for sealing and waterproofing applications for industry and consumers.

Trends

The market for the Industry segment is mature with a growth that is in line with industry production. The European industry structure is fragmented, but consolidation is currently under way, and Trelleborg, as a leading player in Europe, is taking an active part. For example, the acquisition of Reeves in 2006 provided Trelleborg with a world-leading position within polymer-coated fabrics.

For the project-oriented Infrastructure Construction segment, investment is increasing in many parts of the world. Urbanization, among other factors, is driving demand for such structures as bridges and tunnels. Modern high-speed trains require a greater degree of damping materials. The demand for fender systems increases in pace with the rising number of international freight vessels that require new harbors.

The market for Offshore is also project-oriented and is influenced by the development of the offshore industry. Increased ocean-based oil and gas extraction in several geographic markets benefits the business segment.

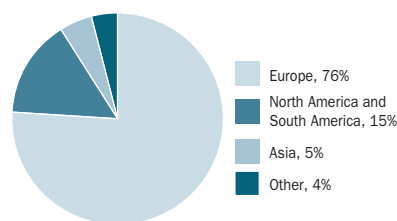
Within the Building segment, the market is becoming increasingly international at the same time as the demand for local presence and rapid deliveries is essential to achieve leading positions. A stronger focus on energy efficiency provides the conditions for advanced sealing-profile solutions, both within the construction industry and in the consumer market.

Innovation

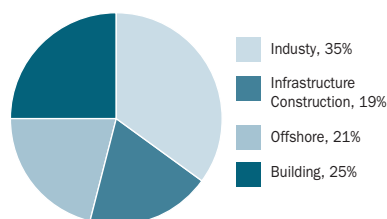
With its engineering know-how and problem-solving expertise, Trelleborg makes an early contribution to the design, planning and construction stages of major projects that extend over long periods. Within the oil/gas area, Trelleborg's know-how extends from exploration to drilling and production. In certain areas, such as marine fender systems and flexible fire-protection solutions, the business area is the global leader in terms of development. Within Building, development is focused on new material combinations and reduced materials consumption.

Increasing performance demands are driving the market toward more sophisticated products and solutions. To an increasing extent, customers are demanding complete solutions, meaning delivery of entire systems rather than individual products. Trelleborg is partaking in this trend by broadening its product range with complementary products that are also founded on non-polymer-based technology.

Net sales per geographic market



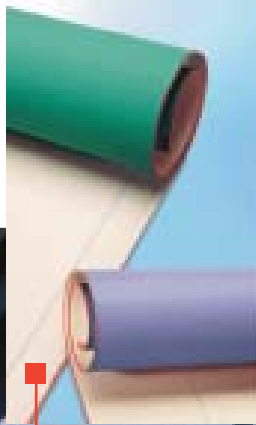
Net sales per business segment



* Excluding restructuring costs and impairment losses.

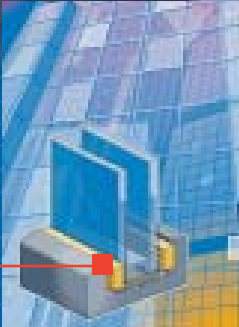
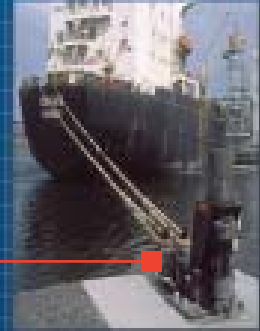
** Number of full-time employees at year-end 2006.

Trelleborg Engineered Systems offers advanced polymer solutions based on in-depth application, development and manufacturing expertise.



With the acquisition of Reeves Brothers Inc., Trelleborg assumes a world-leading position within polymer-coated fabrics used in such areas as the graphics industry, personal protective equipment, the defense industry and fluid solutions.

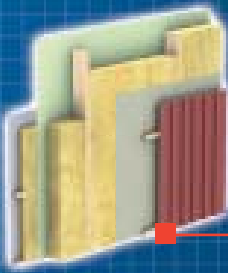
Trelleborg has expanded its product range of fender systems with electronic docking and Quick Release Hooks, facilitating the mooring of large vessels for the safe unloading of natural gas.



Through the acquisition of EPG in Ohio, and KRP in Indiana, Trelleborg has also taken a leading position within window profiles in the US market.

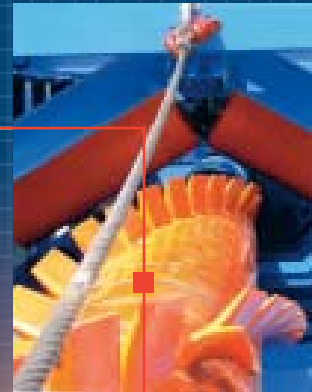


Trelleborg develops bearings for bridges that compensate for seismic shifts in the earth's crust, among other applications.



Halotex®, a polymer-based system from membrane, is one of many new innovations developed to ensure that walls and roofs are sealed, while allowing the building to "breathe."

Through the acquisition of CRP (2006), Trelleborg became the global market leader within polymer systems and solutions for oil/gas-extraction projects in offshore environments. Products that reduce vortex-induced vibration (VIV) are examples of problem-solving by Trelleborg CRP that protect valuable pipelines from damage.



A new area for Trelleborg is customized elastomer components for the electronics and telecommunications industries.



The unique Trelline® hose system is a flexible system in rubber and steel, specially adapted for oil projects at extreme depths.





Business area President: Peter Nilsson
(Acting President since October 1, 2006)

Net sales 2006: SEK 9,493 M

Operating profit 2006*: SEK 214 M

Number of employees 2006:** 9,474

Production units:

Brazil, China, Czech Republic, France, Germany, India, Italy, Poland, Romania, Slovakia, South Korea, Spain, Sweden, Turkey, the UK and the US.

Strategic priorities:

- Increased presence in growth markets, including relocation of research, development and production resources.
- Focus on innovation that adds distinct value for customers. Stronger differentiation in relation to our competitors in selected areas using our ability to offer unique and global solutions.
- Redefinition of the AVS market (Antivibration Systems) as a broader NVH (noise, vibration, harshness) concept to maximize synergies and opportunities.
- Actively working with the product mix to focus on the products that are profitable in the long term and for which we have competitive advantages.
- Offering more complete solutions, both technical and geographic, by using our global presence and technological platform in a structured manner.

Market position:

World-leading in vibration-damping systems for light vehicles and thermoplastic boots. Global market leader in brake shims.

Key customers:

Benteler, BMW, Daimler Chrysler, Delphi, Federal Mogul, Fiat, Ford Group, GKN, GM, Hyundai, Nissan, PSA, Renault, Thyssen Krupp, Toyota, VAG and ZF Sachs.

Principal competitors:

Antivibration Systems: ZF Boge, Vibracoustic, Paulstra (Hutchinson), Woco Cooper Standard and Delphi.

Shims: Wolverine and MSC.

Boots: ABC, Keeper and Parker.

Fluid and Acoustic Solutions: Hutchinson, Contitech, Avon and Teklas.

Designed damping for quieter and more comfortable cars

Trelleborg Automotive is a world-leader in the development and production of polymer-based components and systems used for noise and vibration damping for passenger car and light and heavy trucks.

Two business segments

Antivibration Systems: noise- and vibration-damping solutions for all vehicle segments, thermoplastic boots for drive shafts and steering applications, pneumatic suspension systems, and brake shims.

Fluid and Acoustic Solutions: engine-cooling, air-supply and acoustic solutions for cars and trucks.

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 in traditional markets and has been somewhat lower than GDP in recent years. Growth is stronger in the emerging markets, with China and India playing a key role. A factor favoring Trelleborg is an increasing demand for products that reduce noise and vibration and result in better vehicle handling, aspects that vehicle manufacturers continue to prioritize.

In terms of design, global platforms and standard architecture remain the guiding principles. This results in manufacturers giving several models the same type of suspension, steering and drive shafts, brake systems and engine types, which enhances efficiency and reduces costs. It also leads to greater flexibility and cuts time to market. For subcontractors, the consequence is that the demands for global supply increase.

Intensified competition, and higher materials and energy prices have resulted in increased significance for cost reductions. Trelleborg is tackling this with a stronger focus on cost-efficient development, purchasing and production.

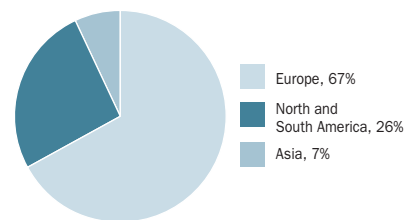
Innovation

Product development within Trelleborg focuses on continuous improvement in close

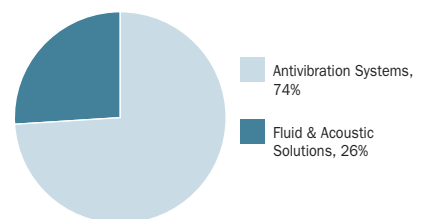
cooperation and partnership with customers. The business area has a strong global technology platform in its antivibration operations. With the goal of improved driving comfort, development activities aim to constantly find new and better solutions that combine strong functionality with cost-efficient design and production. For example, costs can be reduced by simplifying design. Trelleborg's global production is supported by regional design and development units that are coordinated centrally.

Trelleborg is enhancing its focus on complete NVH (noise, vibration, harshness) systems and building on its position as a specialist in acoustics, including complete acoustic solutions for brake systems that include shims and mass dampers. Examples of innovative solutions within Trelleborg Automotive include noise and vibration isolation, with air damping, which eliminates the need for hydraulic fluids in certain applications for active vibration damping. Trilobe Boot is another example of simplified design, in which Trelleborg has combined a driving-gear boot and its outer casing as a single component. This reduces the number of parts, warehousing, leakage risk and warranty costs.

Net sales per geographic market



Net sales per business segment



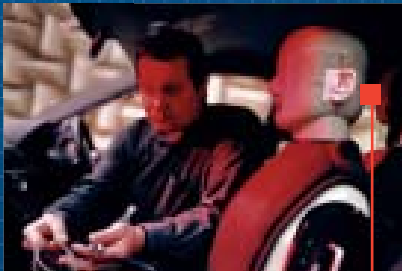
* Excluding restructuring costs/impairment losses

** Number of full-time employees at year-end 2006.

Trelleborg Automotive develops solutions in cooperation with the world's leading vehicle manufacturers, who benefit from the world-leading, global development and production resources.



Trelleborg's switchable hydromounts are an ideal solution to vibration problems in diesel engines. They adapt to the driving situation, hardening on ignition to absorb increased vibrations, and softening when the vehicle is idling.



Development is conducted at centers that include the research and development unit outside Frankfurt, where Trelleborg's research engineers work in an echo-free, controlled noise environment, a "quiet room," to identify sources of noise and vibration. The aim is to develop better products and find solutions to the problems of vehicle manufacturers.

At the research and development units, such as that in Kalmar, Sweden, noise-sensitive microphones and laser beams are used to localize vibration problems. High resonance areas can be identified and damping applied.



Trelleborg Automotive Fluid & Acoustic Solutions offers a number of different material alternatives for engine-cooling and air supply. Creatub is an innovative, fiber-reinforced hose for water cooling. It is produced with its final dimensions before vulcanization, reducing the number of steps in the manufacturing process.

Applied Damping Material (ADM) is a damping material comprising two layers of steel with an intermediate layer of polymer material that results in a strong, durable laminate. ADM provides excellent damping of structure-borne sound and it can be cut and formed to fit most areas.



Through a unique manufacturing process, Trelleborg has developed vehicle boots that are now world-leading.



Trelleborg's plant in Wuxi, China, develops and produces antivibration solutions and products for the strongly expanding Chinese market, as well as adjacent Asian and export markets.





Business area President: Claus Barsøe

Net sales 2006: SEK 5,389 M

Operating profit 2006: SEK 726 M

Number of employees 2006*: 5,658

Production units:

Brazil, Canada, China, Denmark, France, India, Italy, Japan, Malta, Mexico, Poland, Sweden, the UK and the US.

Market offices:

Austria, Belgium, Brazil, Bulgaria, Canada, China, Czech Republic, Denmark, Finland, France, Germany, Hong Kong, Hungary, India, Italy, Japan, Malaysia, Mexico, the Netherlands, Norway, Poland, Russia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, the UK and the US.

Strategic priorities:

- Growth, particularly in North America, Asia-Pacific and Eastern Europe.
- Focus on selected segments.
- Strategic acquisitions.
- The market's best service for prioritized customers.
- First-class supply-chain management and customer relationship management.
- Rational production and cost-efficient purchasing.
- Transfer of best practice to the US and Asia.

Examples of brands:

Busak+Shamban®, American Variseal®, Forsheda®, Orkot®, Palmer Chenard, Polypac®, Nordex, SF Medical, Shamban®, Skega®, Stefa® and Wills®.

Market position:

Industrial Applications: Market leader in Europe.

Aerospace: Market leader in Europe and number two in North America.

Automotive: Leader in specific vehicle niches that require high-quality seals.

Key customers:

ABB, BOC Edwards, Bosch, Caterpillar, GE A Group, Honda, Husky, Liebherr, Rolls Royce, Scania, Siemens, Spirit Aerosystems, Visteon, Volvo and ZF Group.

Principal competitors:

Freudenberg-NOK, Parker Seals, SKF, Federal Mogul, Dana and Hutchinson.

Precision seals cope with extreme temperatures and ensure pressure

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

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 and hydraulic seals.

Aerospace: safety-critical aircraft seals that are used in virtually all major commercial and military aircraft programs. Key application areas are engines, flight controls actuators, landing gear, airframes, wheels and brakes.

Automotive: Advanced and often security-critical seals for steering, fuel control, air-conditioning, air-induction and driveline systems.

Trends

The market for industrial seals tends to follow the levels of industrial production and growth in the market for durable goods. In Europe and North America, the market totals about SEK 18 billion per year and follows the cyclical trend in industrial production.

The market for polymer aircraft seals is driven by the trend in commercial and military aviation, amounting to approximately SEK 3 billion per year in Europe and the US.

The vehicle segment is a multinational market driven by global and regional trends. The market for polymer vehicle seals in Europe and North America amounts to about SEK 17 billion per year.

The market for sealing solutions matures in pace with customers making increasing demands in terms of service levels and technology. They demand complex solutions, expect the same service level throughout the world and endeavor to reduce their number of suppliers. This provides opportunities for global groups such as Trelleborg.

Sealing systems often have safety-critical functions and factors that include technical development, environmental legislation and standardization successively increase the

demands on these systems. This relates to such applications as landing gear, vehicle brake systems and medical equipment. Seals must be able to cope with extreme temperatures, pressure and friction, and withstand aggressive media. They must also be durable and completely reliable. Combined, these trends are leading to increased industry consolidation.

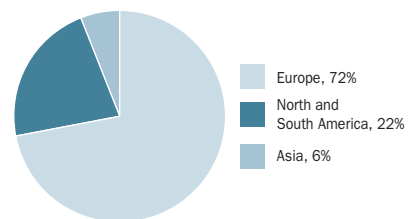
Innovation

Trelleborg Sealing Solutions offers complete sealing solutions that can include product design, material development, customized logistics, specialized production and specialized materials from external partners. By offering solutions to complex sealing problems, the business area secures and develops its market share.

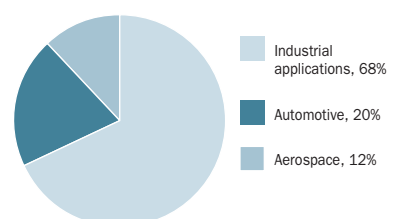
The development of new sealing solutions is based on the market/customers' demands for improved performance regarding, for example, system reliability, service life and cost-efficiency. The goal is to principally select projects that have applications in many segments.

Recently developed products, such as Zurcon U-Cup RU9 and Zurcon HP Buffer are typical examples of innovative solutions for the entire hydraulics/pneumatics market – standardized, reliable and cost-efficient sealing systems for a wide variety of applications in agriculture, construction machinery, machine tools, etc.

Net sales per geographic market

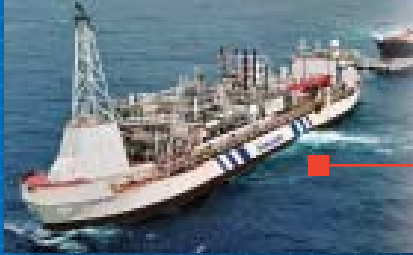


Net sales per business segment



* Number of full-time employees at year-end 2006.

Trelleborg Sealing Solutions operates globally with local teams that offer complex sealing solutions, market-leading technology and unique service.



Trelleborg is one of Bluewater's strategic partners in sealing. The sealing's integrity prevents loss of production in floating oil platforms.

Turcon® M30 extends the seal life in aircraft.



In the largest hydroelectric power project ever conducted, at the Yangtze River in China, Orkot® bearings are used in Alstom's generators.



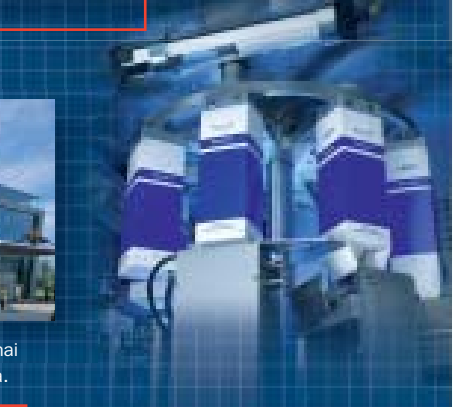
Trelleborg has developed a new ozone-resistant material of NBR rubber for hydraulic applications.



Trelleborg opened a new plant in Shanghai during the year to support growth in Asia.



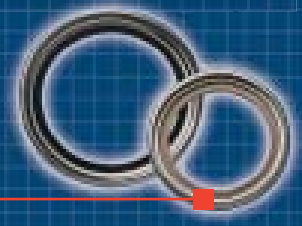
In 2006, Zurcon® U-Cup RU9 was launched for mobile and stationary hydraulic applications.



New market companies were opened to support the growing markets in Russia, Hungary, Thailand and China.



Isolast® Grade 9680 is a high-performance, transparent material that was developed for semiconductor applications.





Business area President: Maurizio Vischi
Net sales 2006: SEK 3,145 M
Operating profit 2006*: SEK 243 M
Number of employees 2006:** 1,809
Production units:
 Denmark, Italy, Sri Lanka, Sweden and the US.

Market offices:
 Africa, Asia, Europe, the Middle East and the US.

- Strategic priorities:**
- Strengthened product development of high-performance tires for the agricultural market.
 - Production modernization and rationalization within industrial tires.
 - Continued focus on capital rationalization, cost-reducing measures, product mix and price increases to offset rising costs for raw materials.
 - Retain strong positions among OEM customers and further develop after-market customers.

Examples of brands:
Agricultural & Forest Tires: Trelleborg® and Pirelli® (license).
Industrial Tires: Trelleborg, Bergougnan®, Rota®, Monarch®, Mastersolid® and Orca.

Market position:
Agricultural & Forest Tires: Number two in the agricultural market in Europe.
Industrial Tires: World leader in solid industrial tires.

Key customers:
Agricultural & Forest Tires: Manufacturers of agricultural and forest machinery, tire and machinery sales companies and end customers.
Industrial Tires: Original equipment manufacturers of trucks, transport companies and authorities and organizations that are responsible for infrastructure.

Principal competitors:
Agricultural & Forest Tires: Michelin, Good-year/Titan, Continental/Mitas, Firestone/Bridgestone and Nokian.
Industrial Tires: Solideal, Continental, MTL, Aichi and Watts.

Damping tires protect harvests and forests and provide more efficient materials-handling

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

Two business segments

Agricultural & Forest Tires: Tires and wheel systems for tractors and other vehicles used in agriculture and forestry. The business area is a leader in the segment for large-dimension quality tires, of which Trelleborg has a broad range.

Industrial tires: Tires and complete wheel systems for materials-handling vehicles used at such facilities as airports, ports and warehouses, including forklift trucks and other highly utilized materials-handling vehicles.

Trends

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

The trend is for agricultural operations to merge, forming larger units using larger tractors and, consequently, larger tires. Tractors must function equally well on country roads and in fields.

Growth in the farming and forestry sectors primarily involves radial tires, a segment in which Trelleborg has been a pioneer. The proportion of radial rear tires in Europe is now approximately 85 percent, with an increasing market for larger dimensions, in which Trelleborg holds a strong position. However, the market for cross-ply tires is diminishing annually.

The market for industrial tires is mature and developing in line with the general industrial trend. Price is becoming an increasingly important competitive factor.

Companies' efforts to reduce the amount of tied-up capital are driving the trend to rationalize inventories, which makes the efficient handling of materials increasingly important. This is creating a long-term growing demand for solid industrial tires for various materials-handling machines.

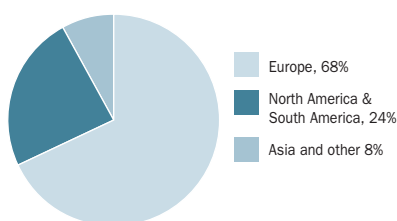
Innovation

To meet the market's increasingly stringent demands, major resources are being focused on the further development of tires for agricultural and forest machines. At Trelleborg Wheel Systems' development center in Italy, the next generation of high-performance tires are being developed in cooperation with leading manufacturers of agricultural and forest machines.

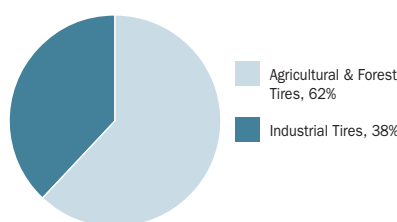
A number of priority factors are that tires must be able to handle high speeds, enhance comfort, have reliable road-holding capabilities, be robust and meet high environmental requirements. At the same time as machines must be able to move at increasingly high speeds on the roads, their tires should 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.

In Industrial Tires the focus is on expanding the number of applications based on increasingly specific customer requirements and on new segments in the materials-handling sector that are under development.

Net sales per geographic market



Net sales per business segment



* Excluding restructuring costs/impairment losses.

**Number of full-time employees at year-end 2006.

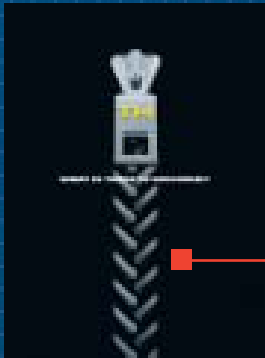
Trelleborg Wheel Systems focuses on industrial and agricultural tires and its concentration of development and marketing resources creates unique customer values.



The new specialty tire Elite XP provides considerable benefits at a competitive price. For example, it offers 20-percent higher stability, a 15-percent longer useful life and 15-percent less heat accumulation.



During the year, major investments were planned and approved in Industrial Tires, including renewal of processes and the extension of the Sri Lanka unit.



The license for the Pirelli brand expires at the end of 2010. Accordingly, Trelleborg TM is being gradually strengthened as a world-leading brand in agricultural tires. The start of the brand transition was received very positively.



Road-holding properties are becoming increasingly important for agricultural tires. At special test facilities, such friction are tested at varying speeds.



Increasingly larger tractors require increasingly larger tires. The largest tire produced by Trelleborg, the TM 900, is more than two meters in diameter.



Trelleborg's strong focus on agricultural tires has led to a leading position in this market.



Board of directors' report 2006



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Favorable growth in 2006

Trelleborg had favorable growth in 2006, with an increase in sales of 13 percent. Organic growth was 6 percent.

The earnings trend was favorable for operations outside the automotive industry and three out of four business areas increased operating profit. Trelleborg Automotive's earnings were adversely impacted by efficiency problems and increased raw-materials prices.

Presence in key growth markets was reinforced, with favorable development in such regions as Asia and Eastern Europe.

The focusing of operations continued with a number of acquisitions within prioritized areas and the divestment of a distribution operation. Consolidation of production capacity continued.



Market trend and sales

Market conditions in 2006 were positive in the majority of Trelleborg's prioritized market segments. However, the automotive-related operation continued to experience a challenging environment with tough market conditions.

Sales increased for all business areas. In 2006, the Group's net sales increased by 13 percent to SEK 27,284 M (24,170). For comparable units/currencies, the increase was 6 percent.

The Group further strengthened its presence in new growth markets with sales growth of 24 percent in North and South America, 11 percent in Europe and 32 percent in Asia and the rest of the world. The company's infrastructure was expanded with several new market companies and the

Group increased its production capacity in Romania, China, India and Sri Lanka.

Trelleborg also continued to acquire companies in line with its strategy to grow in attractive segments displaying favorable growth and profitability potential, and where the three primary customer requirements, to seal, damp and protect, play a central role. In 2006, 11 operations were acquired with combined sales of approximately SEK 3,200 M and some 2,000 employees.

Trelleborg Engineered Systems demonstrated exceptionally strong growth. Sales grew both as a result of the favorable market conditions within all prioritized segments and because of acquisitions. Within its core operation, the business area expanded its operation geographically and into new product areas. In comparable currencies/

units, sales increased by 11 percent.

Trelleborg Automotive experienced an increase in volume. Growth was generally favorable within the AVS area, with strong growth in such operational areas as brake shims and vehicle boots. The business area expanded the operation in growth markets by moving production to a larger facility in India and expanding production in Korea, for example. A new plant was constructed in Dej, Romania. For comparable units/currencies, sales increased by 5 percent.

Trelleborg Sealing Solutions continued focus on the prioritized industrial segment resulted in increased sales within a number of these segments, including the chemical processing industry and the aerospace industry. At the same time, there was a decrease in sales to the automotive industry, where

operations in a number of unprofitable segments were discontinued. The business area increased its presence in both Central Europe and Asia through such measures as the establishment of new plant in Shanghai. For comparable units/currencies, sales increased by 4 percent.

Trelleborg Wheel Systems increased its sales within both the Agricultural & Forest Tires and Industrial Tires business segments. The market conditions were especially strong within industrial tires in North America and in growth markets. For comparable currencies/units, sales increased by 5 percent.

Group results

Operating profit for the Group amounted to SEK 1,507 M (1,779). Profit before tax totaled SEK 1,193 M (1,567). Net profit amounted to SEK 766 M (1,177) corresponding to earnings per share of SEK 8.30 (12.90). Restructuring costs and impairment losses were charged to profit before tax in an amount of SEK 337 M.

Operating profit for continuing operations, excluding restructuring costs and impairment losses, amounted to SEK 1,815 M (1,738). Profit before tax amounted to SEK 1,502 M (1,530), and net profit to SEK 1,067 M (1,152). Earnings per share were SEK 11.65 (12.60). The operating margin amounted to 6.6 percent (7.3) and the EBITDA margin totaled 10 percent (10.8)

The operating profit improved for three of the four business areas, despite the substantial increase in costs of raw materials that impacted results during the year. It was generally possible to offset the increase in raw-material costs in all business areas, except for Trelleborg Automotive.

The operating profit for Trelleborg Engineered Systems, Trelleborg Sealing Solutions and Trelleborg Wheel Systems, which account for about 65 percent of the Group's operation in terms of volume, increased by 22 percent compared with 2005.

Compared with the preceding year, the operating margin improved for Trelleborg Engineered Systems and Trelleborg Wheel Systems, it was unchanged for Trelleborg Sealing Solutions and declined for Trelleborg Automotive.

There was an adverse impact on Trelleborg Automotive's earnings due to increased raw materials costs and efficiency problems within the Fluid & Acoustics business unit, as well as the general market situation with production cutbacks in the operations of a number of the business area's customers.

Several measures were introduced aimed at restoring profitability. See separate below. Reorganization was conducted within the AVS business unit, which focused on reinforcing global processes to enhance competitive ability and internal efficiency.

Margins in the other business areas were improved through such measures as enhancing efficiency in production. A number of production units were combined during the year. Within Trelleborg Engineered Systems, the product portfolio was refined with the addition of more advanced system solutions at the expense of simpler products. Within Trelleborg Wheel Systems, improved profitability in the face of increased raw-material costs is a result of the business area's strong market position that enabled price increases and a range of significant improvements in productivity and efficiency.

The Group's efficiency measures also include the utilization of proprietary production resources in growth markets and outsourcing to establish a more flexible cost scenario.

Balance sheet, cash flow, investments

The Group's operating cash flow for the full year totaled SEK 1,607 M (1,770). The decrease was primarily due to lower operating profit in Trelleborg Automotive and a rise in capital tied-up in Trelleborg Automotive and Trelleborg Wheel Systems. The investment level was SEK 1,112 M (873). At year-end, consolidated capital employed was SEK 18,818 M (16,922). The increase was primarily attributable to acquisitions. The Group's free cash flow for the full year amounted to SEK 918 M (949).

Net financial debt amounted to SEK 9,350 M (7,236). At the end of the year, the debt-equity ratio amounted to 96 percent (72). The equity-assets ratio was 35 percent (41). At the end of the period, shareholders' equity per share (90.4 million

Group	2006	2005
Net sales, sek m	27,284	24,170
Net profit, SEK MV	766	1,177
Free cash flow, SEK M	918	949
Earnings per share, SEK	8.30	12.90
Free cash flow per share, SEK	10.15	10.55
Continuing operations, excluding restructuring costs and impairment losses		
Operating profit, SEK M	1,815	1,738
Operating margin (ROS), %	6.6	7.3
Net profit, SEK M	1,067	1,152
Earnings per share, SEK	11.65	12.60
Operating cash flow, SEK M	1,607	1,770

shares) amounted to SEK 106 (111.15). The return on shareholders' equity was 7.6 percent (12.5).

Parent Company

The Parent Company's operations primarily comprise Group functions. Profit before tax in Trelleborg AB amounted to SEK 22 M (loss: 873). No sales were made. Investments amounted to SEK 4 M (13). The average number of employees was 79 (75)

Action program within Trelleborg Automotive

As a result of a strategic and operational review, an action program within Trelleborg Automotive was initiated in November 2006. The first stage within the framework of the action program is expected to affect 700 employees. The first measures, announced in November 2006, include the following:

- The closure of a plant within the anti-vibration operation in Trowbridge, in the UK, which has sales of approximately SEK 225 M and about 150 employees. Production is expected to be moved to existing units, principally to Trelleborg's newly constructed plant in Romania and to Burgos, Spain. Production is expected to continue in Trowbridge until mid-2007.
- In total, the personnel reductions in Western Europe will affect some 200-250 employees. The relocation of resources from Western Europe to Eastern Europe is a stage in the program that also involves investments in existing plants in the

Czech Republic, Poland and Romania, which must be done before the program can be fully implemented. These investments will strengthen the Group's long-term competitive ability in Europe and create opportunities for further consolidation.

- In February 2007, it was announced that an additional plant would be closed in West Thurrock, in the UK, within the framework of the program. About 170 people are employed at the plant, which is included in the Fluid & Acoustic Solutions business unit. Production is expected to be moved to the business unit's other plants in Europe. Production in West Thurrock is expected to continue until year-end 2007. A total of 150 employees will be effected.

The costs of the total action program are estimated to amount to approximately SEK 875 M before tax and about SEK 700 M after tax, of which SEK 400 M before tax, SEK 225 M after tax, will affect cash flow mainly during 2007 and 2008. The measures are estimated to have a repayment period affecting cash flow of less than three years from the date of implementation. The positive earnings effect is estimated at about SEK 175 M before tax and SEK 115 M after tax annually at full impact.

Consolidation of industrial tire production

During the year, Trelleborg decided to consolidate its industrial tire manufacturing to Sri Lanka and subsequently invest in the expansion of production capacity at one of Trelleborg Wheel Systems' plants. As a result, the closure and transfer of production of industrial tires from Trelleborg Wheel Systems' plant in Hartville, Ohio, USA, was announced. The consolidation creates the conditions for a globally strong production structure within Trelleborg Wheel Systems.

The plant in Hartville produces industrial tires for material-handling vehicles, such as forklift trucks. The plant has about 200 employees, of whom 115 work in production. Production will be transferred successively in 2008 to Sri Lanka. Production in Hartville is expected to continue until

Effects of restructuring program

SEK M	Costs Jan-Dec 2006	Estimated costs primarily in 2007-2008	Estimated cost for total program	Estimated annual saving*
Trelleborg Automotive	280	595	875	175
Trelleborg Wheel Systems	21	9	30	35
Trelleborg Engineered Systems	36	-	36	20
Total before tax	337	604	941	230
of which, affecting cash and bank balances	99	361	460	-
Total after tax	304	451	755	150

* Following full implementation

The action program within Trelleborg Automotive is a result of the ongoing strategic and operational review of the business area, which aims to improve profitability and the strategic position. In the Trelleborg Wheel Systems business area, a decision was made to consolidate industrial-tire manufacturing to Sri Lanka, resulting in the closure of the facility in Hartville, Ohio. The action program within Trelleborg Engineered Systems pertains to a relocation of production from Ystad to Lithuania, which enables continued profitable growth within the protective-products area, as well as the combination of two Spanish units.

the first quarter of 2009. Following the relocation of production, Trelleborg will maintain resources within sales, technical service and distribution in North America.

Costs for closure, transfer of production and investments will total approximately SEK 130 M over a three-year period. The investment in production in Sri Lanka comprises about SEK 100 M, with the larger portion relating to the transfer of production. The costs of closure and production transfer from Hartville are expected to amount to SEK 30 M before tax, most of which will affect cash and bank balances primarily in 2007. The positive earnings effect is expected to total about SEK 35 M before tax on a yearly basis, with full impact from the third quarter of 2009.

Nominations Committee

The nomination of Board members shall be conducted in accordance with the procedures adopted by the 2006 Annual General Meeting.

A Nominations Committee has prepared proposals for the 2007 Annual General Meeting pertaining to Board composition and fees for Board members. The following persons were asked and agreed to be members of the Nominations Committee:

Didrik Nordmark of the Dunkers Funds and Foundations, Chairman of the Nominations Committee, Ramsay Brufer, Alecta, Secretary of the Nominations Committee, Lars Öhrstedt, AFA/TFA, Henrik Didner, Didner & Gerge Mutual Fund, and Åsa Nisell, Swedbank Robur Fonder. The Chairman of the Board, Anders Narvinger, is also a member of the 2006 Nominations Committee. No remunerations were paid to the members of the Nominations Committee.

The 2006 Nominations Committee held three meetings. As a basis for the committee's work, the President presented information on the company's operations and strategic direction at the first meeting. In addition, the Chairman of the Board provided information on the annual assessment of the work of Board of Directors. During the second meeting, the Chairman of the Board provided information on the Board's work during the year, the Board's rules of procedure and the work of the Group's Remunerations Committee. Rolf Kjellman, Chairman of the Audit Committee, participated during the agenda item pertaining to this committee and reported on its work and future direction. The third meeting was devoted to the notification and agenda for the Annual General Meeting.

The Nominations Committee decided to propose the re-election of all Board members to the 2007 Annual General Meeting.

For further information concerning the Nominations Committee and so forth, see the Corporate Governance Report, pages 76-89.

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.

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 2006, the Board held eleven (ten) meetings, of which four were extraordinary meetings.

A Remunerations Committee comprising the Board members Anders Narvinger, who heads the Committee, and Berthold Lindqvist, shall decide on matters regarding salary and employment conditions for the President and establish principles for remuneration to other senior executives.

In addition to the Remunerations Committee, there are also an Audit Committee and a Finance Committee. For further information on the Board's work, committees and so forth, see the Corporate Governance Report, pages 76-89.

Events after the end of the accounting period

Merger of business areas

At year-end 2006, Trelleborg's construction-related operation, the former Trelleborg Building Systems business area, was integrated into Trelleborg Engineered Systems. Accordingly, Trelleborg comprises four business areas instead of the earlier five. The merger should be viewed as a stage in the process to continuously enhance the Group's structure and to create synergies and efficiency gains. In many cases, the business areas have similar business models and the Group will gain from strengthening these common processes.

Peter Suter, former President of the Trelleborg Building Systems business area, has assumed control of the strategic and newly established Group function that oversees raw materials supply within Trelleborg. He will also work with strategic projects at a Group level. Peter Suter will remain a member of Trelleborg Group Management.

Trelleborg's 2006 annual report is based on the new Group structure.

Acquisition

After the end of the period, Trelleborg concluded the acquisition of the German companies Epros GmbH and Epros International Ltd., with some 30 employees and annual sales totaling approximately SEK 90 M (for further information, see page 27). The company is located in Duisburg, Germany, and in St Albans, in the UK. Epros is a niche player in the after-market for pipe systems.

Property sale

In January 2007, Trelleborg signed an agreement with Skanska concerning the sale of land in Södra Hammarbyhamnen in Stockholm, Sweden. The purchase price is SEK 330 M and is based on the estimated development rate. At transfer, a payment of SEK 100 M will be made and when detailed development plans gain legal approval, an additional purchase payment will be made, which will vary depending on the development rate.

The carrying value of the property amounts to about SEK 80 M. The transfer

payment will affect cash and bank balances in an amount of SEK 100 M and will result in a capital gain of approximately SEK 20 M for Trelleborg. This will be recorded as non-recurring revenue in the first quarter of 2007.

The additional purchase price will be reported when the detailed development plan is complete.

Closure of production plant

In February 2007, within the framework of the action program in Trelleborg Automotive, it was announced that a plant in West Thurrock in the UK would be closed. See page 23.

Outlook for the first half of 2007

For general industry, demand is not expected to decline, while the very strong demand within the aerospace and oil/gas segments will continue. Cutbacks in production, mainly among North American customers, are expected to have adverse effects on automotive-related operations.



R&D in close cooperation with the customers

The development of Trelleborg's products and solutions is conducted in close cooperation with our customers. The work is based on the Group's mission to seal, damp and protect in demanding industrial environments. To relentlessly seek new and superior solutions within these areas is a key task for Trelleborg. Innovation is one of our core values.

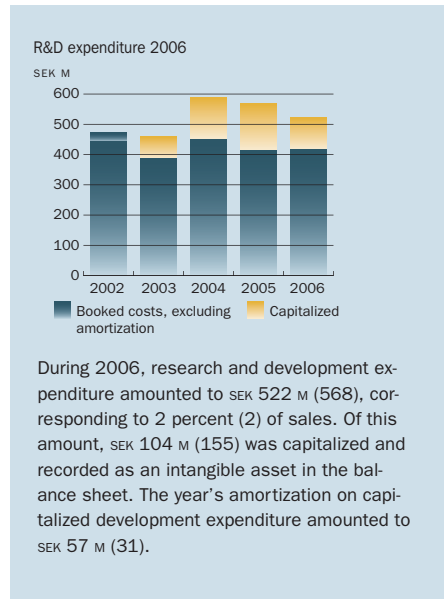
Trelleborg allocates considerable resources to maintain its leading position within research and development. The work is performed at three levels: The first comprises fundamental physical and chemical materials know-how concerning polymer and other materials. The second level involves applications expertise within our global market segments. The third level is the specific design of products and solutions.

Some 40 development units are at the disposal of our customers. These provide advanced equipment for sound analysis, pressure, temperature and load simulation, measurement of wear and friction, system analysis, non-linear material analysis and much more.

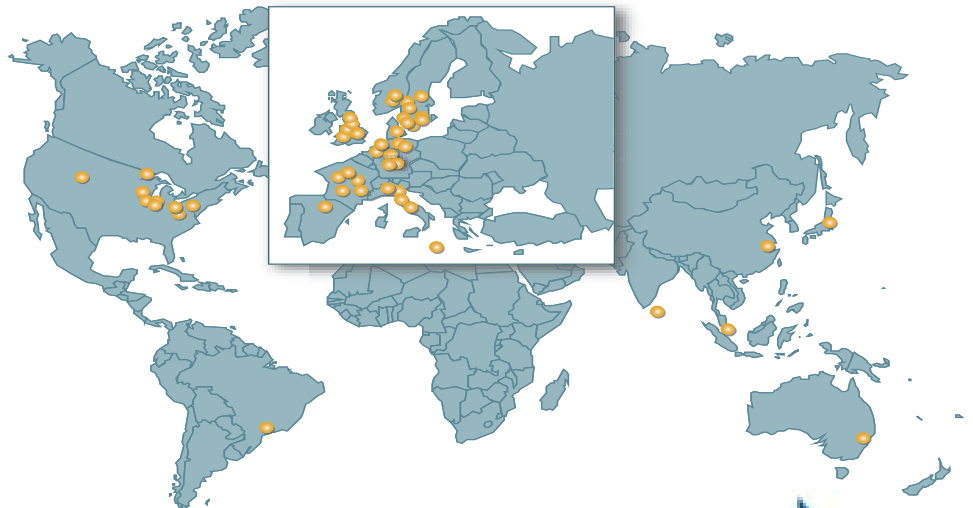
To guarantee lasting quality, the test functions are extensive. Among other parameters, we test compression, temperature, fatigue, pressure, wear, load, vibration and sound. However, in the final phase, testing of prototypes and finished products is often performed at the customer's facility and under realistic conditions. Subsequently, the finished products are ready to seal, damp and protect throughout the world.

At a number of our development units, there is fundamental physical and chemical materials know-how regarding polymers and other materials and, accordingly, a higher capacity to develop common technology, including the Group's strategic products and materials.

We customize polymers and combine them with other materials to obtain unique properties, such as elasticity and resistance to various stresses in a number of demanding environments. In products such as seals, fenders and antivibration mounts, polymers are combined with other materials and electronics to form intelligent solutions to advanced technical problems in diverse industries.



Research and development units worldwide



Common technology – Various solutions – Same function: seal • damp • protect



A variety of unique solutions with a common base technology and function

With common technology and a base of in-depth materials know-how, Trelleborg's business areas develop a variety of solutions in the form of products and systems that satisfy the specific needs of various industrial customers. The function is often

fundamentally the same: to seal, damp and protect to secure investments in demanding environments.

Fire protection. Polymer-based fire protection is developed to withstand the extreme temperatures generated by a fire for vital minutes and up to several hours at a stretch. The protection impedes the spread of fire and prevents it from reaching critical areas. This may concern Trelleborg Engineered Systems' products made from fire-resistant rubber, on an oilrig or Trelleborg Sealing Solutions' seals on aircraft engines – in both cases, the components must withstand temperatures of more than 1,000 degrees Celsius for a specified period.

Chemical resistance. Today, many industries require advanced seals in their processes that can guarantee elasticity in the same way as a normal seal, while also being able to withstand aggressive chemicals. Users of such unique polymer-based seals as Isolast® from Trelleborg Sealing Solutions include the chemicals industry, refineries and the pharmaceutical industry. The same industries need Trelleborg Engineered Systems' hose system for transporting chemical products under rigorous reliability requirements. Within Trelleborg Automotive, there is also a focus on areas in which chemical resistance is of vital importance.

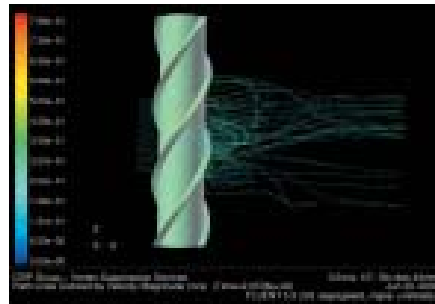
Strengthened positions in attractive segments within priority areas

Date concluded	Company	Country Production	Product area	Approximate sales, full-year prior to acquisition, SEK M	Number of employees
January 3	Elastomer Compounding s.r.o. (ECS)	Czech Republic	Mixing	75	40
January 20	CRP Group	UK/US	Offshore	1,000	500
February 6	EPG Inc.	US	Construction/industrial profiles	170	140
March 31	Harbour & Marine Engineering Pty Ltd.	Australia	Infrastructure	80	50
June 30	Mar-Con Group, (Oy Mar-Con Polymers Ltd./Gromedi Oy)	Finland	Polymer components	120	90
July 31	UAB Trella	Lithuania	Protective products	20	60
August 2	Kawneer Rubber & Plastics (KRP)	US	Construction/industrial profiles	90	40
August 15	Mehren Rubber A/S	Norway	Offshore	65	30
October 31	Reeves Brothers Inc.	US/Italy/China	Industry/offset printing blankets	1,400	1,000
November 6	Hetag Tagmaterialer A/S	Denmark	Construction/roofing materials	100	20
November 6	Hunter Diving Ltd.	UK	Protective products	10	-
January 4, 2007	Epros GmbH/Epros International Ltd.	Germany	Construction/pipe sealing	90	30
Approximate total				3,220	2,000

ECS – Strong presence in Eastern Europe

Elastomer Compounding s.r.o., which produces rubber mixtures mainly for profile manufacturers with a focus on the construction and industry sector, strengthens Trelleborg's presence in Eastern Europe. Synergies are created in the form of shared purchasing and cost-efficient supplies to existing units, primarily within the Trelleborg Engineered Systems and Trelleborg Automotive business areas. The acquisition is also a stage in the work to support Trelleborg Automotive's establishment in Romania and other Trelleborg units in Eastern Europe.

buoyancy systems. Through the acquisition, Trelleborg takes a significant step into one of the prioritized growth areas and further enhances the balance in the Group.



Harbour & Marine Engineering – Reinforced position through system solutions

The Harbour & Marine Engineering operation mainly pertains to systems that assist vessel mooring in a controlled and secure manner. Trelleborg's expertise within marine fender systems is thereby complimented by specific competence within software development and docking applications. The acquisition also involves an expanded customer offering with complete system solutions for docking. Furthermore, the Group strengthens its leading position within marine fender systems.



EPG – Strengthened positions in the US

EPG manufactures such polymer sealing products as extruding profiles and pipe seals mainly for the construction industry. EPG is leading within its niches, which are primarily in commercial building design, and is capturing an increasing share of the residential market. With EPG, Trelleborg gains a growth platform for its construction-related operation in North America.



CRP – World-leading positions within polymer systems for offshore oil and gas extraction

CRP's operations relate primarily to systems for the subsea sector of the oil and gas business, an area that is expected to grow considerably faster than the oil-extraction market in general. CRP is mainly active in systems for seismic surveys on the ocean floor, drilling operations and production, and solutions for deepwater flow assurance and

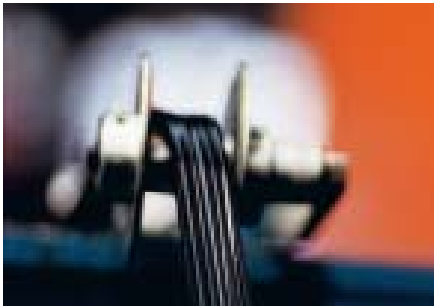


Mar-Con Group – Complimentary within elastomer applications

The Mar-Con Group in Finland is a strong niche player within the area of elastomer applications for the electronics industry with such products as EMC gaskets. The company's key technology is the manufacture of components from thermoplastic elastomers, which are molded together with metal or plastic parts.

Kawneer Rubber & Plastics – Strong growth platform in North America

With the acquisition of Kawneer Rubber & Plastics, which manufactures both polymer sealing products and extruded profiles, Trelleborg strengthens its position within the North American construction sector and in other industries. Furthermore, a number of synergies exist with the newly acquired company EPG, mainly within the areas of technology and administration.



UAB Trella – Advanced positions within protective suits

Since 2003, UAB Trella, in Lithuania, has been a much-appreciated partner of Trelleborg and has manufactured sophisticated protective suits with a high level of quality and delivery reliability. The acquisition safeguards the Trelleborg Group's competitive ability within the area.



Mehren Rubber – Complementary products create growth opportunities

Mehren Rubber A/S is a niche-oriented contract producer of equipment for packing and sealing in the area between the tubing and the wellbore during oil and gas extraction. Mehren is an excellent complement to Trelleborg's product portfolio and offers favorable growth opportunities within a prioritized area.

Reeves – world-leading position and enhanced business structure

Reeves Brothers Inc. is a leading international player in the development and production of polymer-coated, high-precision material in, for example, rubber, silicon and polyurethane. The company corresponds well with Trelleborg's core competencies: to seal, damp and protect in demanding industrial environments. Application areas include the aerospace industry, personal protective equipment, the defense industry and fluid solutions, as well as commercial offset printing, in which Reeves, with its production of advanced printing blankets, has a strong international position in a consolidated, profitable and growing segment with high entry barriers. The acquisition provides Trelleborg with a world-leading position in polymer-coated fabrics and thereby strengthens what was already a Europe-leading position in this area.



Hetag Tag – Strengthened position and increased volumes

Hetag Tagmaterialer A/S distributes roofing products that complement Trelleborg's offering in the Danish market. The acquisition strengthens Trelleborg's position in Denmark. In conjunction with the acquisition, Trelleborg has also secured an option to acquire, within a year, Hetag Takdaekning A/S with sales totaling approximately SEK 300 M.



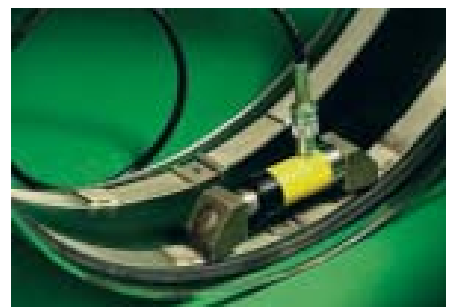
Hunter – US growth

Hunter Diving Ltd. manufactures dry diving suits for professional divers who are active in advanced rescue services and the defense forces. The combination of two strong brands, the new Hunter Diving and Trelleborg's existing brand, Viking, creates the conditions for increased organic growth, particularly in the US and UK.



Epros – Methods for internal pipe sealing

Epros is a niche leader in the after-market for pipe systems, specialized in trenchless repairs. The methods used to seal leaking pipes and improve structural stability in pipe systems include the use of such materials as impregnated polyester fabrics and EPDM. Epros is a complement to Trelleborg's existing pipe-sealing operation and the acquisition is a way of accessing the rapidly growing market for internal pipe sealing. Transfer of the company took place in January 2007.



► [www](http://www.trelleborg.com)

Strong organic market growth and acquisitions in attractive segments

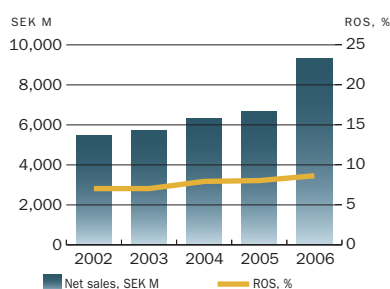


Key figures*

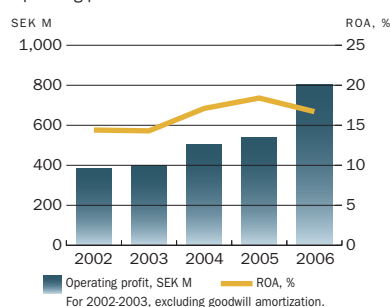
	2006	2005
Net sales, SEK M	9,310	6,671
Share of Group net sales, %	33.5	27.2
EBITDA excluding restructuring costs, SEK M	1,041	742
EBITDA, %	11.1	11.0
Operating profit, excluding restructuring costs and impairment losses, SEK M	805	541
Operating profit, including restructuring costs and impairment losses, SEK M	769	541
Operating margin (ROS) excluding restructuring costs and impairment losses, %	8.6	8.0
Capital employed, SEK M	5,920	3,008
Return on capital employed (ROA) excluding restructuring costs and impairment losses, %	16.7	18.4
Capital expenditures, SEK M	271	151
Operating cash flow, SEK M	815	635
Operating cash flow/operating profit excluding restructuring costs and impairment losses, %	101	117
Average number of employees	5,717	4,589

*Includes Trelleborg Building Systems.

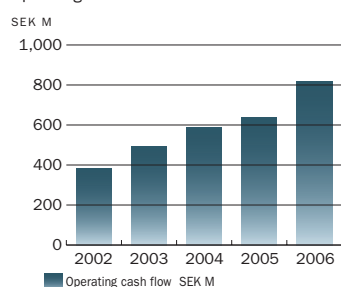
Net sales and ROS*



Operating profit* and ROA*



Operating cash flow



* Excluding restructuring costs and impairment losses.

Market trends

Demand in Europe and North America was stable. The market for Trelleborg's project-related products within infrastructure and offshore was highly favorable. Demand was particularly strong for products used in oil and gas extraction as a result of the development of new oil and gas fields and the introduction of new technology. In the construction area, the Scandinavian market performed favorably, as did the German market.

Sales and earnings

- Sales increased to SEK 9,310 M. The increase was related to growth within all prioritized market segments and to completed acquisitions. For comparable currencies/units, sales rose by 11 percent.

- Operating profit rose significantly as a result of the strong volume growth and improved operating margin. Hikes in raw material prices were offset through pricing, a positive volume/product mix and internal efficiency improvements.

- Cash flow remained strong.

Significant events

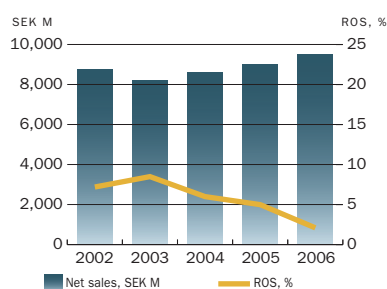
- Increased presence and a strengthened position in the prioritized oil/gas market through the acquisition of the CRP Group and the Norwegian company Mehren Rubber, which provide a complementary product range.
- World-leading position within polymer-coated fabrics through the acquisition of the US company Reeves Brothers, which develops and manufactures polymer-coated high-precision materials. The acquisition also strengthens the business area's Asian presence with a production unit in Shanghai.
- The North American hose distributor, the Goodall Rubber Company, was divested as a step in the Group's strategy to focus on prioritized segments (reported under the heading divested operations).
- Strengthened position within marine fender systems through the acquisition of Harbour and Marine Engineering, which supplies advanced docking equipment. At the same time, the business area reinforces its role as system supplier to the world's harbors.
- The Mar-Con Group in Finland was acquired – a strong niche-oriented supplier within the electronics and telecommunications industry.
- The acquisition of UAB Trella's operation within protective suits and Hunter Diving in Scotland, a manufacturer of advanced diving suits, enables continued profitable growth within Trelleborg Protective Products.
- Through the acquisition of EPG and Kawneer Rubber and Plastics, Trelleborg becomes the leading player in the US market for industrial profiles. The acquisition also established a platform to further develop the North American market for high-quality sealing profiles.
- Trelleborg Engineered Systems and Trelleborg Building Systems were combined. From year-end 2006, Trelleborg Building Systems will be included in Trelleborg Engineered Systems.
- Successful portfolio management, with a focus on selected segments, strengthened the business area's positions and competitiveness.

Increased presence in growth markets and relocation for competitive cost level

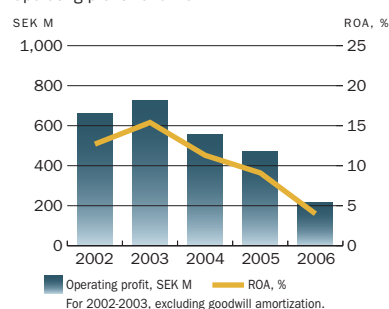


Key figures	2006	2005
Net sales, SEK M	9,493	8,995
Share of Group net sales, %	35.1	38.3
EBITDA excluding restructuring costs, SEK M	620	831
EBITDA, %	6.4	9.0
Operating profit, excluding restructuring costs and impairment losses, SEK M	214	471
Operating profit, including restructuring costs and impairment losses, SEK M	-66	471
Operating margin (ROS) excluding restructuring costs and impairment losses, %	2.1	5.0
Capital employed, SEK M	5,053	5,421
Return on capital employed (ROA) excluding restructuring costs and impairment losses, %	4.0	9.1
Capital expenditures, SEK M	495	474
Operating cash flow, SEK M	145	419
Operating cash flow/operating profit excluding restructuring costs and impairment losses, %	68	89
Average number of employees	9,488	9,098

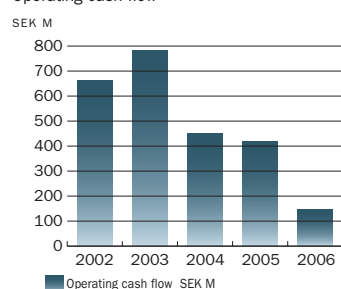
Net sales and ROS*



Operating profit* and ROA*



Operating cash flow



* Excluding restructuring costs and impairment losses.

Market trend

In 2006, car production in North America declined by about 3 percent compared with the preceding year. In Europe, production increased by 3 percent, strongly propelled by increased production in Eastern Europe (+18 percent). In Asia, car production increased by approximately 9 percent.

Sales and earnings

- Sales increased to SEK 9,493 M. In comparable currencies/units, sales increased by 5 percent for full-year 2006, compared with 2005. The business area had favorable growth within AVS in North and South America and Asia. The business area captured market share in AVS in both North America and Europe.

- Operating profit declined, adversely impacted mainly by increased raw materials costs, a lower level of efficiency in Fluid & Acoustic Solutions and increased amortization of capitalized research and development expenses.

- Cash flow declined as a result of weak operating profit, an increase in operating capital and increased investments, including a new plant in Romania.

Significant events

- Strengthened presence in Asia after a larger plant in India was placed in operation, increased production capacity in Korea and R&D investments in Wuxi, China.

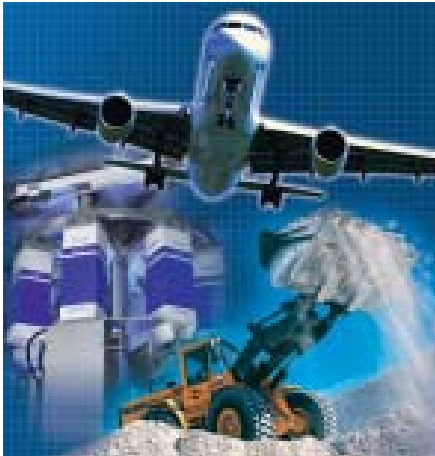
- Increased presence in markets with a competitive cost level, including a new plant in Romania. Production commenced at the beginning of 2007.

- Trelleborg's CEO Peter Nilsson replaced George Caplea as business area President on October 1.

- In November, the business area initiated an action program to improve profitability. The program comprises a review of the long-term strategic positions and continuous operational efficiency-enhancement measures. The program is expected to affect about 700 persons initially and measures include closure of a plant in Trowbridge, as well as personnel reductions in Europe. The transfer of resources from Western to Eastern Europe is part of the program, with investments in existing units in the Czech Republic, Poland and Romania. These investments will strengthen the Group's long-term competitiveness in Europe and generate opportunities for continued consolidation. Also as part of this program, the closure of a plant in West Thurrock, in the UK, was announced in February 2007.

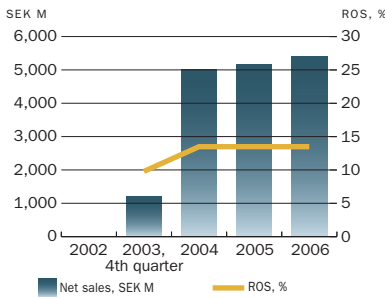
- A reorganization was conducted within AVS, with a focus on reinforced global processes to strengthen competitiveness and internal efficiency.

Improved product mix and increased sales in Aerospace and Industrial Applications

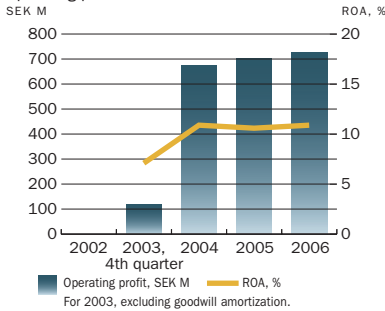


Key figures	2006	2005
Net sales, SEK M	5,389	5,166
Share of Group net sales, %	19.8	21.8
EBITDA, SEK M	897	875
EBITDA, %	16.6	16.9
Operating profit, SEK M	726	703
Operating margin (ROS), %	13.5	13.5
Capital employed, SEK M	6,374	6,787
Return on capital employed (ROA), %	10.9	10.6
Capital expenditures, SEK M	198	148
Operating cash flow, SEK M	794	710
Operating cash flow/operating profit, %	109	101
Average number of employees	5,618	5,640

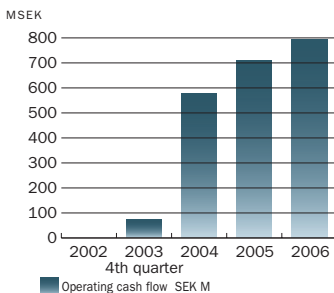
Net sales and ROS



Operating profit and ROA



Operating cash flow



Market trend

Trelleborg Sealing Solutions' market conditions in prioritized industrial segments and the aerospace industry were favorable in 2006. However, the automotive market was weaker than in the preceding year. Industrial production grew more rapidly in 2006 than in 2005 in most of Trelleborg Sealing Solutions' important countries.

Sales and earnings

- Sales in 2006 rose to SEK 5,389 M. In comparable currencies/units, sales increased by 4 percent compared with 2005. Growth was favorable in all priority segments except Automotive.
- Operating profit in 2006 increased as a result of the growth in sales, strengthened by an improved product mix. Investments in the enhanced infrastructure continued, including new sales offices.
- Cash flow was particularly strong, supported by reductions in operating capital.

Significant events

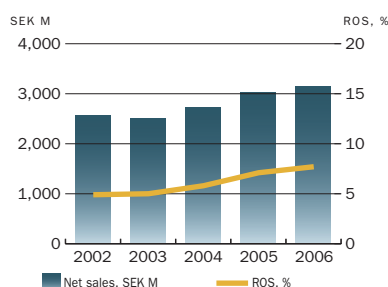
- Increased presence in Asia through the opening of a new unit for development, manufacturing and sales in Shanghai, and quadrupling the size of the plant in Bangalore, India. Two new market companies were opened in China and one in Thailand.
- Strengthened presence in Central Europe through new offices.
- Relocation of Trelleborg Sealing Solutions Hudson/Chase Walton to a modern site to enhance capacity and customer service.
- Improved product mix by targeted actions on low-margin Automotive business, replacing it with increased sales in the Aerospace and Industrial segments.
- Eight new major product concepts were launched, based on proprietary designs and patented materials.
- Further relocation of production to low-cost countries in Eastern and Central Europe, India and Brazil resulted in a more positive cost structure.

Continuous improvements increased productivity and resulted in lower costs

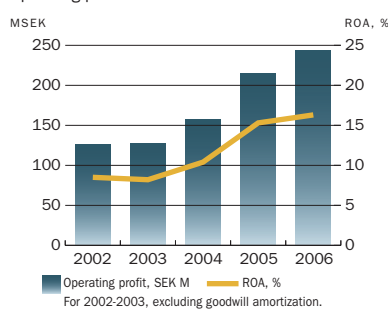


Key figures	2006	2005
Net sales, SEK M	3,145	3,023
Share of Group net sales, %	11.6	12.7
EBITDA excluding restructuring costs, SEK M	334	310
EBITDA, %	10.6	10.2
Operating profit, excluding restructuring costs and impairment losses, SEK M	243	215
Operating profit, including restructuring costs and impairment losses, SEK M	222	215
Operating margin (ROS) excluding restructuring costs and impairment losses, %	7.7	7.1
Capital employed, SEK M	1,418	1,443
Return on capital employed (ROA) excluding restructuring costs and impairment losses, %	16.3	15.3
Capital expenditures, SEK M	139	84
Operating cash flow, SEK M	153	235
Operating cash flow/operating profit excluding restructuring costs and impairment losses, %	63	110
Average number of employees	1,851	1,941

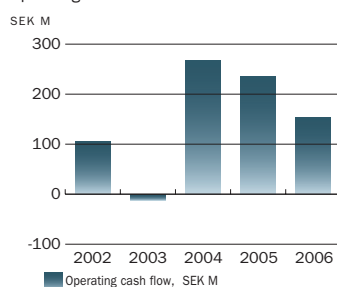
Net sales and ROS*



Operating profit* and ROA*



Operating cash flow



* Excluding restructuring costs and impairment losses.

Market trend

The European market for agricultural tires declined in units by 2 percent in 2006 compared with 2005, primarily as a result of a decline in cross-ply tires. There was a continued stable trend for radial tires.

Demand for forest tires in Brazil and South-east Asia remained strong as a result of increased biofuel plantations.

The market for industrial tires grew by about 4 percent in Western Europe and North America in 2006.

Sales and earnings

- Sales rose to SEK 3,145 m. For comparable currencies/units, sales rose by 5 percent. Sales increased both for Agricultural & Forest Tires and Industrial Tires, partly due to favorable delivery capacity to the agricultural market and improved relations in the industrial market, particularly for North America and growth markets. Sales growth in industrial tires in the US rose due to favorable demand among key customers, but also in the aftermarket.

- Operating profit increased, mainly as a result of higher sales volumes and gradually improving price levels, as well as greater cost efficiency that offset increased materials costs.

- Cash flow was reduced as a result of higher investments and a temporary accumulation of inventory.

Significant events

- A long-term branding campaign was initiated because the ten-year license for the marketing of agricultural tires using the Pirelli brand name will expire at the end of 2010. Accordingly, Trelleborg will be phased in as a leading brand of agricultural tires.

- Closure of the Trelleborg unit that produced cross-ply agricultural and forest tires in Trelleborg was completed during the first quarter of 2006. Production transferred to external suppliers for improved cost structure and increased flexibility.

- During the year, major investments in capacity and modernization were approved and commenced in Industrial Tires. Manufacturing was consolidated to Sri Lanka, with an investment in increased production capacity totaling approximately SEK 100 m. Trelleborg Wheel Systems now has two plants in Sri Lanka, in Kelaniya and Biyagama, just outside Colombo. The units have about 900 employees.

- As a result of the above, the closure and transfer of production was announced of Trelleborg Wheel Systems' plant in Hartville, Ohio, in the US. Industrial tires for materials-handling vehicles, such as forklift trucks, are manufactured in Hartville. The unit has about 200 employees, of whom 115 work in production. Production will be transferred successively to Sri Lanka in 2008 and production in Hartville is expected to continue until the first quarter of 2009.

- Continuous improvement in production led to higher productivity and reduced costs. Improved preventive measures in maintenance and energy through external service contracts reduced costs compared with the preceding year. Storage costs have also declined as a result of improved logistics.

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	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Trelleborg Engineered Systems	9,310	6,671	1,041	742	11.1	11.0	805	541	769	541
Trelleborg Automotive	9,493	8,995	620	831	6.4	9.0	214	471	-66	471
Trelleborg Sealing Solutions	5,389	5,166	897	875	16.6	16.9	726	703	726	703
Trelleborg Wheel Systems	3,145	3,023	334	310	10.6	10.2	243	215	222	215
Other companies			-8	-9			-15	-17	-15	-17
Group items			-154	-170			-158	-175	-158	-175
Elimination	-296	-346								
Continuing operations	27,041	23,509	2,730	2,579	10.0	10.8	1,815	1,738	1,478	1,738

SEK M	2006			2005		
	Impairment losses	Restructuring costs	Total	Impairment losses	Restructuring costs	Total
Trelleborg Engineered Systems	-5	-31	-36	-	-	-
Trelleborg Automotive	-229	-51	-280	-	-	-
Trelleborg Wheel Systems	-4	-17	-21	-	-	-
Total	-238	-99	-337	-	-	-

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	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Trelleborg Engineered Systems	8.6	8.0	8.2	8.0	5,920	3,008	16.7	18.4	16.1	18.4
Trelleborg Automotive	2.1	5.0	-0.9	5.0	5,053	5,421	4.0	9.1	-1.2	9.1
Trelleborg Sealing Solutions	13.5	13.5	13.5	13.5	6,374	6,788	10.9	10.6	10.9	10.6
Trelleborg Wheel Systems	7.7	7.1	7.1	7.1	1,418	1,443	16.3	15.3	15.0	15.3
Other companies					129	121				
Group items					19	-37				
Provisions for restructuring measures					-95	-81				
Continuing operations	6.6	7.3	5.4	7.3	18,818	16,663	9.8	10.7	8.0	10.7

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

SEK M	Jan-Mar		Apr-Jun		Jul-Sept		Oct-Dec	
	2006	2005	2006	2005	2006	2005	2006	2005
Trelleborg Engineered Systems	148	95	194	163	213	142	250	141
Trelleborg Automotive	103	106	106	166	-26	85	31	114
Trelleborg Sealing Solutions	190	167	184	206	170	170	182	160
Trelleborg Wheel Systems	65	58	65	63	52	55	61	39
Other companies	-3	-4	-4	-6	-4	-4	-4	-3
Group items	-35	-30	-38	-54	-41	-35	-44	-56
Continuing operations	468	392	507	538	364	413	476	395

Trelleborg Engineered Systems includes Trelleborg Building Systems.

For definitions, see page 94.

Trelleborg Group (SEK M unless otherwise stated)	2006	2005	2004	2003	2002
Continuing operations					
Net sales	27,041	23,509	22,339	17,394	16,459
Operating profit	1,478	1,738	1,221	1,063	842
Profit before tax	1,165	1,530	938	951	578
Net profit	763	1,152	716	637	370
Divested operations					
Net sales	243	661	573	566	1,171
Operating profit	29	41	670	145	104
Profit before tax	28	37	666	140	99
Net profit	3	25	670	83	54
Total net sales	27,284	24,170	22,912	17,960	17,630
Total operating profit	1,507	1,779	1,891	1,208	946
Total profit before tax	1,193	1,567	1,604	1,091	677
Total net profit	766	1,177	1,386	720	424
– of which attributable to Parent company's shareholders	751	1,161	1,372	702	410
– of which attributable to minority interest	15	16	14	18	14
Shareholders' equity	9,687	10,113	8,603	7,452	7,284
Capital employed	18,818	16,922	15,112	15,810	9,886
Net debt	9,350	7,236	6,951	8,447	2,962
Total assets	27,557	24,960	22,152	22,856	15,400
Equity/assets ratio, %	35	41	39	33	48
Debt/equity ratio, %	96	72	81	111	40
Capital turnover rate, multiple	1.5	1.5	1.4	1.5	1.7
Investments in property, plant and equipment	980	689	841	572	735
Investments in intangible assets	132	184	170	115	4
Acquisitions	3,095	368	346	6,141	133
Divestments*	175	1	1,124	-72	151
Return on shareholders' equity, %	7.6	12.5	17.2	9.5	5.5
Earnings per share, SEK	8.30	12.90	15.55	8.40	4.75
Free cash flow	918	949	509	1,017	717
Free cash flow per share, SEK	10.15	10.55	6.05	11.30	8.60
Shareholders' equity per share, SEK	106.00	111.15	94.45	88.40	87.05
Shareholders' equity per share after dilution, SEK	106.00	111.15	94.45	87.60	86.15
Average number of employees	22,506	21,694	21,675	15,855	14,885
– of which, outside Sweden	20,268	19,243	19,117	13,773	12,919
Continuing operations, excluding restructuring costs and impairment losses **)					
EBITDA	2,730	2,579	2,617	1,942	1,751
EBITDA, %	10.0	10.8	11.5	11.0	10.1
EBITA	1,929	1,802	1,816	1,290	1,081
Operating profit	1,815	1,738	1,781	1,282	1,010
Profit before tax	1,502	1,530	1,498	1,170	746
Net profit	1,067	1,152	1,108	839	518
Operating margin (ROS), %	6.6	7.3	7.8	7.1	5.9
Return on capital employed (ROA), %	9.8	10.7	11.3	11.7	11.1
Return on shareholders' equity, %	10.7	12.3	13.9	10.7	6.6
Earnings per share, SEK	11.65	12.60	12.40	9.80	5.85
Operating cash flow	1,607	1,770	1,458	1,187	1,001
Operating cash flow per share, SEK	17.80	19.65	16.50	13.50	11.65
Operating cash flow/operating profit, %	89	102	82	89	102
Average number of employees	22,362	21,456	21,435	15,622	14,572

*) Discontinued operations pertains to discontinued and divested operations and operations for which contracts for discontinuation or divestment have been signed.

**) For comparability, historical values have been adjusted for discontinued operations.

Figures for 2002-2003 are reported excluding goodwill amortization.

Figures for 2004-2006 are reported in accordance with IFRS.

Continued favorable dividend yield

Trelleborg's Series B shares have been traded on the Stockholm Stock Exchange since 1964. From October 2, 2006, the share has been listed on the OMX Nordic List, Large Cap.

The share capital in Trelleborg AB amounts to SEK 2,259 M, represented by 90,357,261 shares, each with a par value of SEK 25.00. Trelleborg has two classes of shares: 9,500,000 Series A shares and 80,857,261 Series B shares. All of the Series A shares are owned by the Dunker interests, comprising a number of foundations, funds and asset-management companies 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 3.5 percent (40) during the year. OMX Stockholm Price Index increased by 24 percent (33) during the year. The highest price paid in 2006 was SEK 193.50, on April 25. The lowest price paid was SEK 117.50 on July 17.

During 2006, 131.7 million (147.8) Trelleborg shares were traded on the Stockholm Stock Exchange, corresponding to 146 percent (164) of the total number of shares in the company, at a value of SEK 19,699 M (18,196). In terms of value, Trelleborg's shares were the 45th (32nd) most-traded on the Stockholm Stock Exchange in 2006.

The average daily turnover amounted to about 531,000 (584,000) shares or SEK 79.4 M (71.9).

Of the total number of shares, foreign shareholders corresponded to approximately 30 percent (21), at December 31, 2006.

Institutions accounted for the majority of ownership. Of the total shares, 84 percent (81) were, at year-end, owned by legal entities and 16 percent (19) by private individuals, representing 92 percent (90) and 8 percent (10), respectively, of the total number of votes.

This information is based on the official share register and list of trustees at December 29, 2006.

During the past five years, Trelleborg shares have increased in price an average of 26.5 percent per year and generated a dividend yield of 4.3 percent per year.

Reduction in share capital

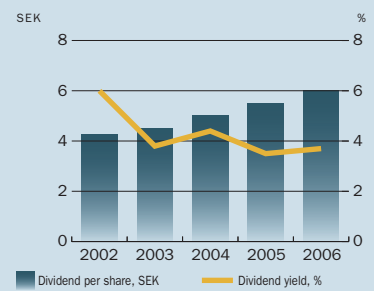
Since 2001, the Group's Board of Directors has been authorized by the Annual General Meeting to make decisions on the acquisition of treasury shares up to a total of 10 percent of the total number of shares in the company. Under the terms of this mandate, the company held 5,623,100 Series B shares at the beginning of 2006. The 2006 Annual General Meeting resolved to cancel these shares and to reduce the share capital by the corresponding amount. New authorization to acquire treasury shares was not requested. Permission for the reduction in share capital through the withdrawal and cancellation of the shares in question was registered by the Swedish Companies Registration Office on September 1, and on September 9, 2006, the cancellation was confirmed by the Swedish Securities Register Center. Accordingly, the share capital was reduced by SEK 140,577,500 to SEK 2,258,931,525.

Dividend of SEK 6.00 per share

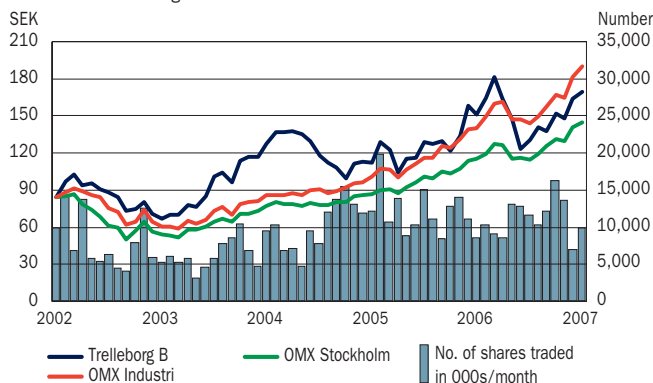
The Group's dividend policy is that, over the long term, the dividend should amount to between 30 and 50 percent of net profit for the year.

The Board of Directors and President propose that a cash dividend of SEK 6.00 (5.50) per share be paid. The proposed dividend, equivalent to approximately SEK 542 M, means that approximately 72 percent of net profit, and 52 percent of net profit for continuing operations, excluding restructuring costs and impairment losses, will be distributed for the 2006 fiscal year.

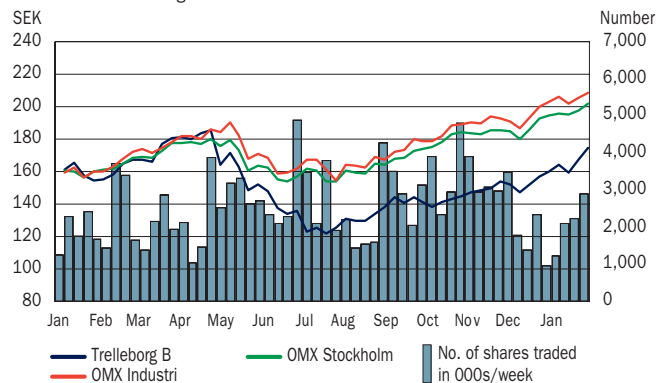
Dividend per share / Dividend yield



Price trend and trading volume Jan 2002 – Jan 2007



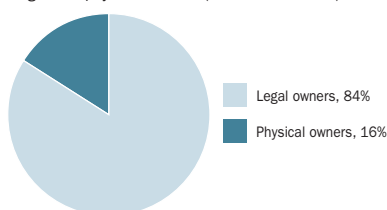
Price trend and trading volume Jan 2006 – Jan 2007



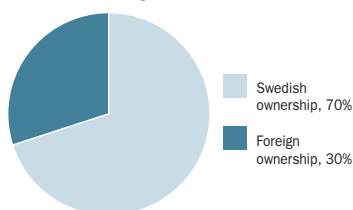
Earnings per share



Legal and physical owners (number of shares)



Swedish and foreign ownership (number of shares)



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

Johan Wettergren, +46 (0)8-463 55 18

Enskilda Securities

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

EVLI Bank Abp

Magnus Axén, +46 (0)8-407 80 38

Handelsbanken Capital Markets

Hampus Engellau, +46 (0)8-701 35 76

Kaupthing Bank

Joakim Höglund, +46 (0)8-791 48 69

Redeye

Henrik Alveskog, +46 (0)8-545 013 45

S&P Equity Research

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

Swedbank Markets

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

ABN Amro

Klas Bergelind, +46 (0)8-572 360 30

Hagströmer & Qviberg

Patric Lindqvist, +46 (0)8-696 20 84

Trelleborg AB's 10 largest shareholders as of December 31, 2006

No.	Shareholder	Number of shares	Percent of share capital, %	Percentage of voting rights, %
1	Dunker Funds and Foundations	12,159,774	13.46%	55.53%
2	AFA/TFA Insurance Companies	4,716,110	5.22%	2.68%
3	Alecta Pension Insurance	4,595,000	5.09%	2.61%
4	Didner & Gerge Equity Fund	4,000,000	4.43%	2.27%
5	Swedbank and Robur	3,397,601	3.76%	1.93%
6	Nordea and funds	3,166,009	3.50%	1.80%
7	S-E Banken and funds	2,988,742	3.31%	1.70%
8	FP Mutual Funds, Frankfurt a.M	2,438,657	2.70%	1.39%
9	Handelsbanken and Funds	2,154,310	2.38%	1.23%
10	Hagströmer & Qviberg	1,691,336	1.87%	0.96%
	Other 44,213 shareholders	49,049,722	54.28%	27.89%
Total shares		90,357,261	100.00%	
Total votes		175,857,261		100.00%

Distribution of shares as of December 31, 2006

At year-end 2006, the number of shareholders totaled 44,223 (49,225), of whom 25,272 (27,575) were directly registered and 18,951 (21,650) nominee-registered.

Number of shares	Number of shareholders	Percentage of total no. of shares	Change from Dec 30, 2005, %
1 – 1,000	40,697	10.36%	-0.87
1,001 – 5,000	2,837	6.86%	-0.76
5,001 – 50,000	534	8.04%	-1.51
50,001 –	155	74.74%	3.14
Total	44,223	100.00%	

Number of shares, voting rights and share class

Share class	No. of shares	Percent	No. of votes	Percent
Series A	9,500,000	10.51	95,000,000	54.02
Series B	80,857,261	89.49	80,857,261	45.98
Total	90,357,261	100.00	175,857,261	100.00

Key data per share

SEK (unless specified otherwise)	2006	2005	2004	2003	2002
Continuing operations					
Earnings	8.25	12.60	7.95	7.40	4.15
Earnings, after dilution	8.25	12.60	7.95	7.10	3.95
Earnings, excluding restructuring costs/impairment losses	11.65	12.60	12.40	9.80	5.85
Total					
Earnings	8.30	12.90	15.55	10.80	6.50
Earnings after dilution	8.30	12.90	15.55	10.55	6.40
Shareholders' equity per share	106.00	111.15	94.45	88.40	87.05
Shareholders' equity per share after dilution	106.00	111.15	94.45	87.60	86.15
Dividend	6.00 ¹⁾	5.50	5.00	4.50	4.25
Yield, %	3.7	3.5	4.4	3.8	6.0
Market price, B share, December 31, last paid price	164.00	158.50	113.00	117.00	70.50
P/E ratio	20	12	7	14	15
Turnover of series B share, calculated by value, %	158	170	139	93	121

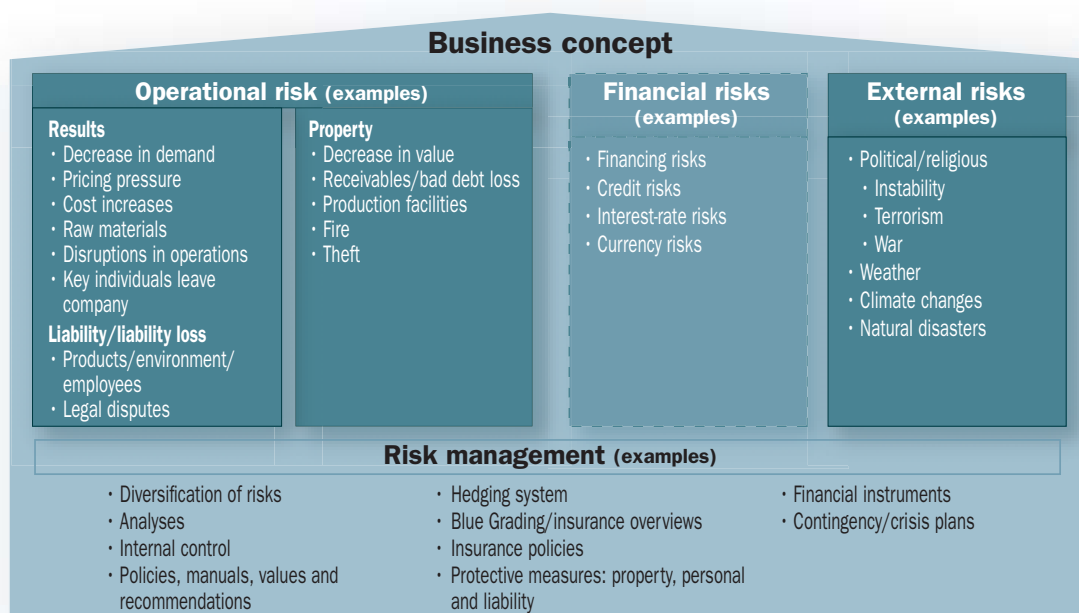
No. of shares (excluding Trelleborg's own holdings)

	2006	2005	2004	2003	2002
At Dec 31	90,357,261	90,357,261	89,717,261	84,291,318	83,686,772
Average	90,357,261	90,160,338	88,315,113	83,701,750	86,150,341
After dilution, Dec 31	90,357,261	90,357,261	89,728,866	87,866,058	88,029,107
After dilution, average	90,357,261	90,160,338	88,326,738	87,276,490	90,492,676

2002-2003 excluding goodwill amortization.

1) According to Board of Directors' and CEO's proposal.

All business activity involves managing risks



All business operations entail some degree of risk. It is important to be aware of what risks the company is taking and how to manage these risks in the best possible manner. For the Trelleborg Group's risk-prevention activities, the main focus is to prevent risks developing into damages or losses. Secondly, it is important to mitigate the effects of damages that have already occurred.

A major part of the Group's risk management is conducted locally or regionally in our operations, but all significant components of risk management are managed or coordinated by the central risk management function. In this manner, we achieve synergies in the loss-prevention work, in general risk management and when managing insurance solutions. It also allows us under controlled conditions, to continuously develop the risk-management work, to initiate new loss-prevention projects/systems and continuously improve our risk-management work. The Group's risk assessment system, Blue Grading, is used in many processes to continuously measure, assess and report on how Trelleborg manages risks. This is conducted against the background of Group-wide targets and guidelines that are regularly discussed, renewed, updated and developed.

Certain risks can be successfully managed through correct actions. For such risks, the Group has binding policies and manuals, as well as recommendations specifying guidelines and instructions for the Group's operation and its employees. In close cooperation,

principally with our insurer (Factory Mutual with regard to property risks and Zürich with regard to liability risk) and with experts from our global insurance broker, Willis, we work continuously within the Group to establish and disseminate knowledge concerning best practices within all conceivable risk areas. We also actively cooperate with other non-competing companies in risk-management matters.

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. The Group's General Counsel also provides continuous information to the Board regarding the status of current disputes. In addition, the Board's Audit Committee continuously discusses any changes that take place during the year, and keeps the Board regularly updated. Risk situations are continuously discussed at all Group management meetings with Group staff heads and Business Area Presidents.

Trelleborg has a well-established Risk Management Forum of which representatives of all business areas and the Group's Environmental Manager are members. This forum is led by the Manager of Group Legal Affairs and the head of Risk Management. The forum is convened five times a year to discuss risk and safety matters and to resolve specific issues related to risk and insurance.

Trelleborg also continues to pursue risk management at local/regional levels through "risk hubs" in Germany, the UK, France, Italy, Spain, Scandinavia and the US. 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, which is then disseminated throughout the Group. For example, our risk hub in the UK developed expertise related to the risks associated with products from the aviation industry, while our French risk hub is specialized in risk associated with transports. In a similar manner, our risk hubs have responsibility for certain environment-related matters under the direction of the Group's Environmental Manager.

Trelleborg has central Group insurance agreements for the Group's most important risks, which include risks pertaining to property, disruptions to operations, liability, transport, aviation-product risk, personnel-related risks and certain environmental risks. When it is possible, we allocate insurance premiums in accordance with the risk level the relevant unit entails for the Group. For our property insurance, the Group has a so-called captive, which assumes a portion of the risk.

External risks

Like other global companies, the Trelleborg Group risks being affected by losses arising from conflicts, terrorist actions and natural disasters. The Group's risk management includes detailed examination of the external environment. Our emergency preparedness also includes well-formulated procedures to protect personnel, the environment and facilities in a professional manner, in the event of a major incident.

Operational risk management

Risks that affect the Group's earnings

Reduced revenues

A business always runs the risk of reduced revenues through the loss of customers, reduced sales or a decrease in prices as a result of a less favorable market or increased competition. Trelleborg is active in a large number of geographic markets and has many customer categories. The Group continuously monitors market and competitor trends to counteract developments with suitable measures in various ways. No single customer has more than a marginal effect on the Group's earnings.

Increased purchasing expenses

Raw-material risks relate to the supply and pricing of goods necessary for production. The Trelleborg Group purchases large volumes of rubber raw materials and prefabricated metal components. In terms of value, the Group purchases equal amounts of these raw materials. In 2006, the prices of all raw materials essentially reached all-time-highs. This applied to natural rubber, steel, aluminum, energy and synthetic rubber. Increased global demand, and in certain cases, speculation were the driving forces behind this development. In general, raw material prices for rubber are cyclical, although natural rubber prices are more volatile and prices for synthetic rubber-based raw materials are relatively more stable. This is partly due to the fact that natural rubber is traded in securities markets in Asia and a some 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 products are related to the economic cycle and the price of crude oil, with a time lag of between three and six months. The markets for synthetic rubber are often regional and can show differing trends due to volume imbalances. For example, Asia has 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 and to safeguard the supply of raw materials, Trelleborg 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-material shortages or major price differences, 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. In 2006, price increases remained substantial and could not be fully managed in the manner described above. Consequently, during 2006, Trelleborg Automotive was adversely affected by price rises for both polymer-based raw materials and steel components. 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.

In 2006, a Group function was created to enhance efficiency and coordinate the Group's purchases.

Disruptions in operations

The Group can be affected by disruptions in operations resulting from raw-material shortages, breakdowns, industrial disputes and other causes outside the control of the Trelleborg Group, such as natural disasters. With its global presence, the Group has considerable opportunities to transfer operations to alternative locations should a unit be forced to cease production, and in this manner, ensure that the undertaken assignment is completed. The risk of industrial disputes has been reduced through continuous dialog with employee representatives. To avoid raw-material shortages, the Group has established a well-developed network of suppliers.

Loss of key expertise

The loss of key personnel can adversely affect the Group's earnings capacity in various ways. Structural expertise in such areas as applications, processes, technologies and customer relationships is guaranteed in the Group through documentation and internal dissemination. Access to expertise is ensured through well-developed methods to attract new employees and to retain and develop talented individuals in the Group. During the year, the Group further developed these processes, which also form the basis for the order of succession for key positions. The Group's travel policy regulates how, and under what terms, key personnel may travel together to safeguard functioning operation in the event of an accident.

Liability risk

Liability risk

The Group's liability risks are primarily risks for personal injury or damage to property related to products sold, or other risks stemming from legislation and regulations. In 2005, the Group initiated a comprehensive review of the Group's liability risks, known as a Liability Loss Prevention Program. The aim of the program is to systematically identify, assess the probability of and quantify liability risks to determine the best method of preventing risks from developing into losses. During the year, analysis and measures were focused on products with some degree of heightened risk and, in conjunction with Zürich, we have carefully studied how product and production-related risks are managed in certain selected representative units within various areas of the Group.

To cover liability risks, the Group has adequate insurance cover based on the fundamental philosophy that there should always be a local responsibility, an additional Group responsibility, and thereafter, a suitable level of insurance cover. In this manner, there is good motivation for the various areas of the Group to jointly endeavor to always minimize liability risks at the same time as insurance cover should always exist.

Employee injuries

These risks are mainly related to the work environment. The Safety@Work project focuses on the work environment and related risks. The program involves cross-inspecting and cross-evaluating risks between companies and business areas in order to best utilize and disseminate existing knowledge about the health and safety area within the Group. At year-end 2006, the program was implemented in

the US, the UK, France, Italy, Mexico, Malta, Canada, Sweden, Norway, Denmark, Spain, the Netherlands, Belgium, the Czech Republic, Germany, Poland and Slovakia. During 2007-2008, implementation of the program is planned in Sri Lanka, Brazil, China and Singapore.

Employees traveling throughout the world also comprise a risk for the Group. The Group follows official recommendations concerning travel in and to critical regions.

Environmental damage

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 all our operative units, the central risk management function and the Group's risk hubs. In this manner, the Group has further broadened and deepened risk management and taken advantage of the synergies found in the management of legal risks, property and liability risks, and environmental risks. In addition, Trelleborg has a forum for environmental issues comprising representatives from the Group's business areas under the supervision of the Group's Environment Manager. Each business area has also appointed at least one representative with overall responsibility for the coordination of environmental issues. A developed and modernized environmental policy containing, among other elements, measurable targets was adopted during the year. Information pertaining to sustainability is reported in a separate sustainability report in accordance with the structure established by the Global Reporting Initiative, see www.trelleborg.com/sustainability.

Legal disputes

Considering the size and scope of the operation, the Group's involvement in disputes and legal proceedings is very limited and no claim may be assumed to have more than a marginal impact on the Group's earnings and financial position in its entirety. The legal disputes and risk for such that may arise from time to time are reported regularly to Group Legal for analysis and review. In cases that arise, proceedings are handled by a qualified legal representative under the supervision of Group Legal and information is provided to the Board and management on an ongoing basis.

Since August 2005, the US Justice Department has conducted an investigation into competition conditions in the US during the period 2000-2005 for certain types of marine fender systems. The investigation relates to certain market conditions in the US and encompasses several companies in the US, including manufacturers, distributors and agents, and involves one of Trelleborg's subsidiaries. The business that is the subject of the investigation represents a very small part of the Group's operations in the US. Discussions are in progress with the authorities concerned and it has been deemed probable that a settlement will be made, possible as soon as sometime during the first six months of 2007. For the Group in its entirety, the final projected costs are expected to only have a limited impact. No provisions were made to cover any future costs.

Trelleborg has a very clear policy regarding adherence to prevailing competition legislation. During the year, the Group conducted extensive training of a large number of employees to ensure that knowledge of the Group's policies relating to fair trade legislation matters is known and followed.

Property risks

Reduced value of assets

The bulk of the Trelleborg Group's assets mainly pertain to properties and other production plants, the value of which can vary in pace with market trends. In conjunction with the acquisition of companies and other production plants, the purchase prices are carefully valued in accordance with established policies.

Customer losses and impairment of other receivables

Customer losses can arise in a business relationship, as a result of a dispute or because the customer has become insolvent. Trelleborg's receivable from the individual customer is relatively small in relation to the outstanding receivable portfolio. This means that the risk of losses is

limited. The purpose of the Group's capital rationalization program is also to minimize the outstanding receivables, which are continuously monitored and collected. In this manner, any customer insolvencies can be identified at an early stage and appropriate action can be taken. The Group applies a restrictive credit policy that also comprises a thorough investigation of the customer's credit rating. When providing credit to countries with a heightened political risk, reinsurance is considered.

Fire, theft and burglary of production facilities

The Trelleborg Group has fixed assets worldwide in the form of properties that risk being damaged from such causes as fire, violent weather conditions, natural disasters or burglary. For the past number of years, a highly extensive and detailed risk-inspection program has been conducted in which all of

the Group's production plants have been inspected by the Group's insurer, Factory Mutual, in accordance with established Group-wide recommendations. Against the background of these inspections, the safety and protection levels of our plants are continuously improved. In 2007, in conjunction with Factory Mutual, we will conduct a detailed inspection/analysis of the risks posed to one or more of our pilot plants as regards disruption to production for whatever the reason may be. The aim of this measure is to further develop our cover against losses as a result of such a disruption. All fixed assets are adequately insured, both with regard to property value and earnings capacity.

Financial risk management

As a net borrower and due to its substantial operations outside Sweden, the Trelleborg Group is exposed to various financial risks. Trelleborg's Treasury Policy sets out guidelines for managing these risks within the Group. This Policy states the purpose and organization of financial activities and the division of responsibilities, and is designed to manage the risks described. The Board's Finance Committee evaluates the Treasury Policy and proposes changes annually, or more frequently if necessary, after which the Policy is adopted by the Board.

Group Treasury

The Group's Treasury activities are centralized in Group Treasury, which functions as both an operating unit and a staff service body. Group Treasury is responsible for the Group companies' external bank relations, liquidity management, net financial items, interest-bearing liabilities and assets, as well as for the common payment system, in the form of the internal bank. 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 the Group's Treasury Policy, there is also an opportunity to conduct certain proprietary trading in currency and interest-rate instruments. Such trading generated a profit during the year.

Credit risks

Credit risks arise when investing cash and cash equivalents and as counterparty risks when trading financial instruments. To reduce the Group's credit risk, trading is only permitted with a limited number of counterparties, and within limits approved by the Trelleborg Board.

Policy Group Treasury shall work with banks that have a high credit rating and which participate in the Group's medium- and long-term financing. The Group's cash and cash equivalents are managed primarily at the Group level and are invested in the money and capital markets. In countries where legal restrictions make centralized liquidity management difficult, special guidelines have been established that define the maximum amount that can be invested in local credit institutions.

Comment

At year-end, cash and cash equivalents amounted to SEK 616 M (663). During 2006, no credit losses arose from the investment of cash and cash equivalents or from trading with counter parties in financial transactions.

Risks and policies

Financing risks

Financing risk is defined as the risk that the refinancing of maturing loans may be difficult or costly to arrange thereby impeding the Trelleborg Group's ability to fulfill its payment obligations.

Policy Contracted credit facilities with a duration of at least 12 months must be available in an amount equivalent to the Group's gross debt, and the Group must maintain a liquidity reserve that corresponds to at least 5 percent of the Group's net sales.

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 occurs in the form of both transaction 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.

Policy Group companies may hedge a maximum of 100 percent of forecast net exposure per currency pair over a period of 12 months and up to 100 percent of invoiced flows per currency pair. Projects with an order value exceeding an amount of EUR 1 M shall always be hedged.

Translation – Income statement

Exchange-rate movements impact on the Group's earnings when the income statements of foreign subsidiaries are translated to SEK. Since the Group's earnings are to a large extent generated outside Sweden, the impact on the consolidated income statement can be substantial.

Policy The Group shall not normally hedge this risk.

Translation – 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.

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.

Interest-rate risks

Interest-rate risks pertain to the negative impact market interest-rate movements have on the Group's earnings. The impact on the Group's interest income/expenses depends on 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.

Policy *Borrowing:* The average fixed-interest term for the Group's gross borrowings, including effects of derivative instruments, could be a maximum of four years.
Investments: The average fixed-interest term for interest-bearing investments, including effects of derivative instruments, could be a maximum of two years on an amount of not more than SEK 2,000 M.

Exposure

Loans granted and utilized credit facilities with maturity structure

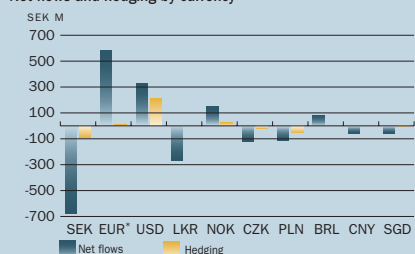


Comments

To safeguard capital accessibility and flexibility, the Trelleborg Group has various types of borrowing programs with varying durations. A syndicated loan, raised in March 2005, forms the foundation of the Group's financing. This loan is divided into two tranches, one tranche amounting to EUR 750 M (SEK 6,794 M) and the second tranche amounting to USD 600 M (SEK 4,124 M), and maturing in March 2011. The tenure of the loan can be extended to a maximum of 2012 given the consent of the Group's banks. The loan is also complemented by seven bond loans, maturing between 2007 and 2011, for a total of SEK 1,192 M. In addition, the Group has a bilateral loan of EUR 30 M (SEK 272 M) that matures in 2012. At year-end 2006, Trelleborg had utilized SEK 6,940 M (5,718) of these total credit facilities of SEK 12,382 M.

In addition to these non-current credit facilities, Trelleborg has a commercial paper program that was established in 2005. Considerable demand from investors has led to an increase of the program from SEK 2,000 M to SEK 4,000 M, or the equivalent value in EUR, in 2006. The tenure of the certificates is a maximum of 12 months. At year-end 2006, approximately SEK 2,262 M (1,574) of the program had been utilized. In addition, the Group has contracted current credit facilities (due for payment within one year) for its borrowing needs in an amount of SEK 1,577 M (1,393). The Group also has current, non-committed credit lines, which amounted to about SEK 2,353 M (2,100) at the end of 2006.

Net flows and hedging by currency



*EUR includes flows that are pegged to the Euro, such as DKK and MTL.

Trelleborg's global operation gives rise to extensive cash flows in foreign currencies. At a Group level, large amounts of these flows are netted. During the year, Group Treasury implemented an extensive project to further enhance matching of these flows in currencies, within and between our business areas, to thereby reduce the Group's foreign-exchange risk and transaction expenses.

The Group's net exposure amounts to an annual value of approximately SEK 2,300 M. The adjoining diagram illustrates the currencies with the greatest net flows and how much of these flows were hedged at December 31, 2006. A positive net flow indicates that the inflow exceeded the outflow.

Decisions regarding the hedging of operative cash flows are made by the relevant business area. All currency transactions of Group companies must be conducted in conjunction with Group Treasury, which ensures that the Group's total external hedges are established in accordance with the Trelleborg Treasury Policy.

Translation effects: Currency effect on income statement 2006, SEK M

Currency	Net sales	EBIT	Net result
EUR	-39	-2	-1
GBP	-1	0	0
USD	-67	-1	2
Other	64	-4	0
Total	-43	-7	1

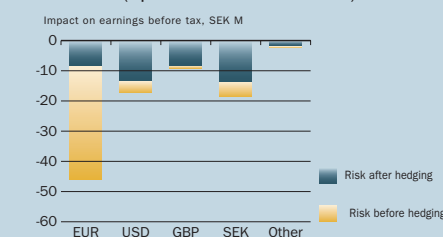
Upon translation of the income statements of foreign subsidiaries, exchange-rate movements negatively affected the Group's operating earnings for the year by a total of SEK 7 M (pos: 44) and net profit positively by approximately SEK 1 M (28). The marginal translation effects are attributable to minor fluctuations in the currencies that represent most of the Trelleborg Group's sales in foreign currencies (EUR, USD and GBP). Exchange-rate fluctuations in the "Other" category were significant in certain cases, but offset each other at an overall level.

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

Currency	Net investment, SEK M	Hedging, percent	Effect on equity, SEK M 1% stronger
EUR	6,834	36%	-44
GBP	2,187	40%	-13
USD	2,687	45%	-15
Other	3,122	12%	-28
Total	14,830	33%	-100

At year-end 2006, the Group's net investments in foreign subsidiaries and associated companies amounted to approximately SEK 14,830 M (12,329). The increase in the Group's investments is due primarily to the acquisition of foreign entities during the year. Translation differences in 2006 amounted to a negative SEK 730 M (pos: 810), calculated after hedging through loans and derivative instruments with deductions for calculated taxes. At year-end 2006, 33 percent of net investments had been hedged.

Interest-rate risk (1-percent increase in interest rate) 2007



As per December 31, 2006, the Group's interest-bearing borrowing totaled SEK 10,084 M (7,997). The average remaining fixed-interest term for the loans was approximately 6 months (9 months), including derivatives. Outstanding investments at year-end amounted to SEK 734 M (761), with an average period of fixed interest of approximately half a month (half a month). The Group's interest-bearing net liabilities amounted to SEK 9,350 M (7,236), with an average remaining period of fixed interest of about 6 months (10 months). Based on the level of net debt at year-end, a 1-percent point rise in interest rates in all countries in which the Trelleborg Group has loans or investments would generate a net cost increase of approximately SEK 45 M (34) in net financial items for 2007. The Group's average net liabilities during the year amounted to SEK 8,710 M. Net interest items and net financial items, as a percentage of average net liabilities, amounted to 3.5 percent (2.75) and 3.6 percent (2.9), respectively. Outstanding interest-bearing investments are reported in Notes 16, 23 and 25. The Group's borrowing and its distribution by currency, interest rates and fixed-interest terms are reported in Note 27.

Strategy for a sustainable operation

Trelleborg's sustainability work is an integrated part of the Group's business model and contributes to the fulfillment of the Group's objectives. Our customers and other stakeholders expect us to assume responsibility for the environmental adaptation of the operation and for us to make an active contribution to a sustainable society.

Trelleborg's Core Values – Customer Focus, Performance, Innovation and Responsibility – are guiding principles for both the Group's overall management and for our daily actions, and accordingly, for our sustainability activities. These values, combined with the Group's Code of Conduct and accompanying policies, stipulate Trelleborg's fundamental outlook as a responsible company and also create a uniform body of values for employees worldwide.

In 2007, a revised version of Trelleborg's Core Values and a revised Code of Conduct will be implemented. Trelleborg plans to join the UN Global Compact during 2007.

In many cases, Trelleborg's products entail positive environmental effects. In this manner, sustainability essentially becomes a part of our business: to seal, damp and protect in demanding industrial environments. Examples are leakage-preventing seals, protective equipment and vibration-damping products and solutions.

At the same time, there are risks with and effects of our business and production in terms of the environment and health and safety. Our key environment and health and safety priorities concern the use of chemicals, emissions to air, energy saving, minimization of waste, and health/safety.

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.

Systematic sustainability approach

To systematically work with sustainability related risks and effects, Trelleborg resolved to introduce a comprehensive approach in which a revised version of our Code of Con-

duct has a key role. In 2006, the revision of the code included such activities as an external audit of Trelleborg Automotive's plant and operation in Wuxi, China, in relation to the existing Code of Conduct and international practice, with satisfying results.

The new code to be implemented in 2007 contains the following sections:

- Workplace and Environment
- Marketplace
- Society and Community

The Code of Conduct is based on internationally recognized conventions and guidelines such as the UN convention on human rights, ILO conventions, OECD guidelines and the UN Global Compact.

The systematic effort for total sustainability management is based on self-evaluation in relation to Trelleborg's Code of Conduct and policies. Within certain defined areas, self-assessment is reinforced with external audits, such as the ISO 14000 audits. Trelleborg's sustainability reporting is conducted in accordance with the Global Reporting Initiative's guidelines, version G3. This is also a reflection of the Group's growing ambition to systematically balance, control and reduce the environmental and social aspects of our operation.

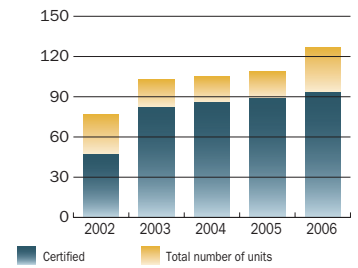


Control of environmental and sustainability aspects

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

The central Group function, Environ-

Number of plants with ISO 14001 certification



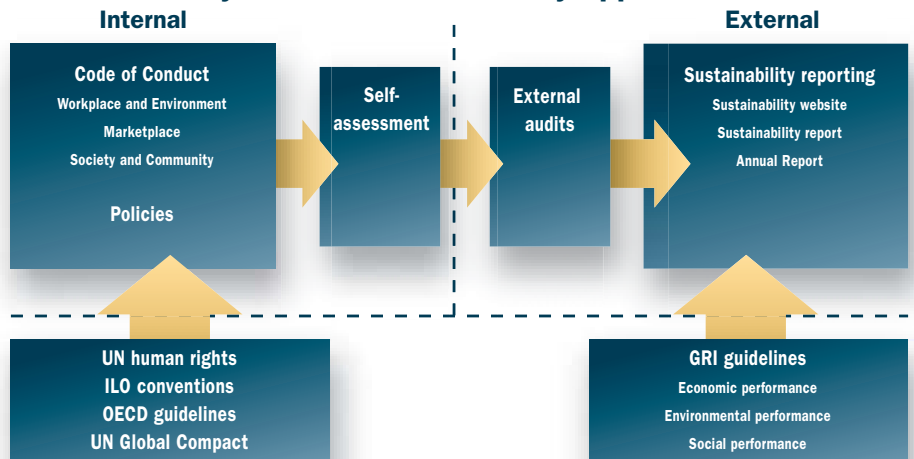
ment, which is part of Group Legal, is responsible for control and coordination in environment issues based on the Group's environmental policy and the central environmental objectives. Each business area has an environment coordinator, who together with the central Group environmental function, is included in a Group-wide Environment Forum, which is convened once every quarter. One of the key tasks of this forum during the year was to prepare a new environmental policy and Group-wide environmental objectives, which were adopted in May 2006.

An important cornerstone in Trelleborg's sustainability activities is the environmental management standard ISO 14001. At year-end 2006, 93 plants had been certified, which corresponds to 75 percent of all production plants. Some ten more plants are planned to be certified within the next year.

Environmental aspects

At the end of 2006, the Trelleborg Group had 127 production units, of which 84 were located in Europe, nine in Asia, 32 in North and South America and two in Australia. The primary environmental aspects of the operations are the consumption of raw materials

Systematic sustainability approach



New Environment, Health and Safety policy

In May 2006, Trelleborg adopted a new Environment, Health and Safety policy. The new policy focuses on five core areas: Environmental management, Energy and Material, Health and Safety, Development of products and processes, and Stakeholder relations. Within these areas, objectives were established at a Group level entailing the following:

- All units within the Group active within production or product development shall be covered by a certified environmental management system in accordance with ISO 14001. Newly acquired units must introduce such a system within three years following acquisition.
- All production units must prepare an energy-efficiency plan.
- The proportion of recovered waste at Group level shall increase by 25 percent within three years.
- The Group's program to reduce the number of work-related injuries, Safety@Work, shall be introduced at all units and internal and external audits shall be conducted on a yearly basis.
- Common criteria for the evaluation of chemicals with regard to the environment, health and safety shall be developed.
- Central and local recommendations for stakeholder dialog shall be prepared.

In addition to these central objectives, and within the framework for ISO 14001, each plant has its own specifically established environmental targets with annual reviews of results. The central objectives are reviewed annually in conjunction with sustainability reporting.

(natural rubber, fossil fuels and chemical products) and energy, emissions to air (solvents, vulcanizing fumes, dust and odorous substances) and water, noise and waste. In addition, the environment is affected by transports and by historical contamination of soil and groundwater. The Group's production plants- and their environmental

impact – vary considerably, both in terms of size and the processes they operate.

The majority of plants require permits in accordance with local legislation. All of the production facilities in Sweden, a total of 18 plants, require permits or are subject to mandatory reporting. Generally, the permit requirements impose conditions for emissions to air and water and for waste management. Each year, the Swedish plants subject to permits report the extent of compliance with the permit conditions in separate environmental reports to the local authorities. Similar reports are submitted to the authorities in a number of other countries. Applications for new permits are currently being processed for 34 plants, (three in Sweden), and all are expected to receive the permits sought.

During the year, a number of acquisitions were made. Prior to each acquisition, an environmental assessment is conducted in which the environmental risks and potential liabilities are assessed. In 2006, the Group also adopted a special policy for the establishment of new plants, so-called greenfields, which includes requirements concerning the assessment of environmental risks and the exposure to natural disasters.

Raw materials

The Group's most important raw materials are polymers (generally natural and synthetic rubber), metal components and additives, such as plasticizers (oils), filler and vulcanizing agents (sulfur or peroxides).

Some of the substances used are classified as hazardous to the environment and/or health.

During 2006, Trelleborg consumed a total of 173,600 tons of rubber (167,600), of which 40 percent was natural rubber and 60 percent synthetic rubber. In addition to

rubber, 27,000 tons of other polymers were consumed.

Energy

The Group's total energy consumption was 1,312 GWh (1,273) in 2006. In relation to the increase in sales, this was a 7-percent improvement compared with 2005. The primary reason for this was a number of energy-saving measures that were taken at local level.

Slightly more than half of the production plants currently have an energy-saving plan. The aim is to increase the focus on this area in 2007. The Group's total energy cost amounted to SEK 610 M (571).

The most significant energy source is natural gas, which accounts for slightly more than three quarters of the direct energy consumption, followed by oil.

Emissions and waste

The most significant emissions to air from Trelleborg's plants comprise carbon dioxide (134,700 tons), sulfur dioxide (204 tons) and nitrogen oxides, (105 tons), as well as process-related emissions in the form of volatile organic compounds, VOC (1,523 tons). As a result of a reduction in energy consumption, related emissions have also decreased. Measures aimed at reducing emissions were introduced at a number of facilities in 2006.

The Group's direct impact on the climate is mainly related to carbon-dioxide emissions from the combustion of fossil fuels. The direct carbon-dioxide emissions from the Group's plants amounted to 134,700 tons (133,400), representing a 9-percent decrease relative to sales. The Group's electricity consumption gave rise to approximately 78,000 tons of indirect carbon-dioxide emissions. Of the Group's plants, only two are covered to a very limited extent by the European

Maximum yield from wind power

Wind power is one of the most important sources of energy for the future and technical developments in the area are advancing at a furious pace. When optimizing energy production for a wind power plant, it is crucial that the rotor blade continuously adjusts to the direction and strength of the wind. Trelleborg Sealing Solutions has recently developed a solution for a European wind power plant producer whereby the hydraulic cylinders that continuously regulate the angle of each individual rotor blade contain such components as seals made of Trelleborg's Turcon® material.



directive for emissions trading. The total allocation for 2006 corresponded to 15,600 tons of carbon dioxide.

Emissions to water are limited and mainly consist of organic material and metals.

The Group's total amount of waste was 64,350 tons (62,350), a decrease of 7 percent relative to sales.

Of the total waste produced, 54 percent was sent for material or energy recycling. The Group's total cost for waste handling was SEK 46.8 M (44.4).

The amount of rubber waste from production was 25,800 tons (22,000) of which 5 percent was recycled in production and 49 percent was sent to other companies for material or energy recycling.

Compliance

Infractions of the conditions of permits or environment or health and safety legislation were reported at a total of 18 plants (17). These infractions resulted in fines in three of these cases. The total costs of fines amounted to approximately SEK 130,000 in 2006. The most significant causes for the infractions were emissions to air and wastewater.

In 2006, three incidents concerning spillages or other uncontrolled emissions into the environment were reported. None of these incidents resulted in any significant consequences for people or the environment. In total, 35 (22) minor fires and one explosion occurred, the majority of which took place in machinery and were of a limited nature. In the plant in Tarazona, Spain, a larger explosion occurred injuring 11 people and causing extensive material damage. An investigation of the accident showed that it was caused by a faulty design of the autoclave, which exploded.

During 2006, six (two) complaints concerning Trelleborg's plants were reported

Year	Energy consumption		CO2 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	
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	
2006	1,312	0.05	134,700	5.0	1,523	0.06	64,350	2.4	

* 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.

by neighbors and others who experienced disturbances. All of these complaints related to noise levels.

Remediation of contaminated land is currently in progress at five units. It is estimated that a further nine plants will be subject to sanitation requirements, the extent of which has not yet been established. An additional three plants are affected by contamination, however, the responsibility for these does not lie with Trelleborg, but with another party. Trelleborg participates as a formal party in a further four remediation projects (two in Sweden and two in the US), but has a marginal responsibility for costs.

The Group's provisions for environmental liabilities amounted to SEK 64 M.

Social aspects

Social aspects relate to health and safety aspects, social and human rights, fair trade, competition, adherence to laws, product responsibility and so forth.

Work environment

The Trelleborg Group's Safety@Work program aims to reduce work-environment-related risks. The program was initiated in 2005 and was driven forward in 2006 to encompass the US, the UK, France, Italy, Mexico, Malta, Canada, Sweden, Norway, Denmark, Spain, the Netherlands, Belgium,

the Czech Republic, Germany, Poland and Slovakia. In 2007-2008, implementation of the program is planned in Singapore, Sri Lanka, Brazil and China.

During 2006, 942 (948) work-related accidents resulting in more than one day's absence from work were reported. The most frequently occurring injuries were those caused by machines or other equipment as well as injury resulting from heavy lifting. In January 2007, an employee in the US was killed in a car accident in conjunction with a business trip. No fatal accidents occurred during 2006. At the plant in Tarazona, Spain, 11 people were injured in conjunction with the forementioned explosion.

Training/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, while ensuring that employees continuously develop their competence and are encouraged to undertake further development.

The Group-wide Talent Management function continued its work with the development of four important development processes: leadership development, performance/evaluation, competence/training planning and recruitment/succession planning.

Sustainability work with results

In 2006, Trelleborg's sustainability report received a commendation and was classed as one of five examples of "best practice" in Deloitte's annual survey of Swedish listed companies for the third consecutive year.

Trelleborg is included in a number of sustainability indexes that list companies that are "best in class." One international example is Ethibel's Sustainability Index. In the Nordic region, the Nordic Council's Nordic Sustainability Index includes Trelleborg in 50 listed companies in the Nordic region that have progressed furthest within sustainability and corporate governance.

In Folksam's index for responsible enterprise, Trelleborg received six out of a maximum of seven stars for its environmental work and four out of seven stars for its work with human rights. The average for Swedish listed companies was three out of seven stars for both human rights and the environment.



Average number of employees 2006 – 2004

Distribution by country	2006	2005	2004
US	2,861	2,548	2,364
France	2,781	2,896	2,948
UK	2,310	2,190	2,404
Sweden	2,238	2,451	2,558
Spain	1,350	1,358	1,402
Germany	1,310	1,283	1,279
Italy	1,297	1,287	1,281
Poland	1,177	1,020	792
Brazil	877	833	748
Sri Lanka	823	704	691
Malta	648	719	781
Mexico	615	561	551
Czech Republic	607	511	476
China	564	370	603
Denmark	534	599	639
Rest of Europe	1,130	936	860
Rest of North and South America	231	397	412
Other markets	1,153	1,031	886
Total	22,506	21,694	21,675
Men	17,021	16,246	16,279
Women	5,485	5,448	5,396

Trelleborg has operations in about 40 countries and industrial plants in some 26 countries. Approximately 90 percent of the Group's employees work outside Sweden. The average number of employees increased during the year to 22,506 (21,694). The proportion of women was 24 percent (25). Salary and other compensation amounted to SEK 6,014 M (5,599). The average number of employees in Sweden amounted to 2,238 (2,451), of whom 32 percent were women (33). The average number of employees in other EU countries was 12,537 (12,280), of whom 24 percent were women (23). The average number of employees in the US was 2,861 (2,548), of whom 30 percent 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 2006 was 7.8 percent. The majority of plants report a personnel turnover of less than 5 percent per year. At year-end, the Group had 23,950 full-time employees (21,672).



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 (90 percent of the total number of employees) in 2006 was 13.7 hours (12.7). 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 100 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, communication, leadership and understanding of cultural differences. TIMP is a 12-day program divided into three sessions. During 2006, 37 (41) participants, including four (seven) women, attended TIMP.

Employer/employee relations

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

Continuous change processes associated with acquisitions, divestments and rationalizations take place within Trelleborg. A key task is to create conditions for change

During the year, Trelleborg established a development program for senior management, the Senior Executive Program. The key objective of the program is to develop the ability to think strategically and to implement adopted strategies. The program includes about 60 managers and will principally be conducted in 2007.

A new program, Coaching for Performance, was initiated during 2006. The aim of the program is to develop the ability of all managers to support their employees by establishing clear targets and conducting subsequent follow-ups.

With regard to the performance/evaluation process, each employee, including those at the product area (PA) level, will be offered a yearly developmental talk with clear documentation.

Trelleborg has a well-established

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

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

With the objective of creating transparency and providing greater opportunities for job rotation and development, both at the individual level and for the Group in its entirety, Trelleborg Internal Job Market is an important tool, whereby all vacancies

Social commitment

Trelleborg participates in numerous social activities, which are often based locally and involve cooperation with neighbors, interest groups, authorities and sports clubs. In the case of sports clubs, there are many examples of how the company supports youth work. Within the education area, Trelleborg cooperates with several universities and schools, which involves regular contact with researchers and students. Trelleborg's cooperative partners include Université de Nantes, France, Fachhochschule Koblenz, Germany, LUISS in Rome, Italy, Western Michigan University, in the US, Malta University, Malta, the University of Derby and Trent Technical College, in the UK, and Chalmers University of Technology, in Sweden. Over the years, a large amount of research and many degree projects have been performed at Trelleborg's plants with specializations in such areas as the environment. In addition, Trelleborg has a so-called learning partnership with Lund University School of Economics and Management, involving the sponsorship of two postgraduate appointments.

Trelleborg prioritizes such sponsorship that is beneficial to society and the Group's operating environment, that supports our values and strengthens our relations with customers and other partners. A cooperation extending over a number of years with Save the Children was initiated in 2006. This comprises yearly support for the charity organization and forms part of Trelleborg's ambition to assume an increased global social responsibility by contributing to children's development and education.



and, while exercising respect for every employee, to reduce uncertainty and insecurity, while simultaneously safeguarding the company's continued competitiveness. Approximately 200 employees, primarily in Sweden and the UK, were affected by restructuring during the year. In November 2006, an action program within Trelleborg Automotive was announced, which in the first stage, affects approximately 700 employees in Europe.

Diversity and equality

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. During 2006, five cases of discrimination were reported and investigated. In two of the cases, it was found that the reports were unsubstantiated, investigations are still in progress in one of the cases, and measures have been taken in the remaining cases to ensure that the situation will not be repeated.

Trelleborg was ranked 83 of 238 Swedish listed companies in Folksam's Equality Index in 2006. Trelleborg received the grade of 2.05 in the industry category "Other industries", significantly above the average rating of 1.65. More than 400 women hold senior or mid-level management positions at Trelleborg's production facilities.

Code of Conduct, society and human rights

A review of Trelleborg's Code of Conduct was performed during the year. The new code will be introduced during 2007 and followed-up through self-assessment and external reviews.

With regard to human rights, the company is included in Amnesty Business Group's rating, which measures the risk for the violation of human rights. Trelleborg's rating is in line with other participating Swedish industrial companies.

During the year, no infractions have taken place with regard to forced labor or child labor.

As regards restrictive trade practices, the US Justice Department has been conducting an investigation since August 2005 into competitive conditions in the US from 2000 to 2005 for certain types of marine fender systems. The investigation relates to certain market conditions in the US and comprises several companies in the US,

manufacturers, distributors and agents, including one of Trelleborg's subsidiaries. The business that is the subject of the investigation represents a very small portion of the Group's US operations. Discussions are under way with the appropriate authorities and a settlement of the matter is deemed likely, possibly in the first six months of 2007. The anticipated final costs cannot be expected to have more than a limited impact on the Group in its entirety. No provisions have been made to date to cover these costs.

Trelleborg has a clear policy of observation of applicable competition rules. During the year, extensive training of a large number of employees was undertaken to ensure that rules regarding competition legislation are known and followed.

Product responsibility

Consideration for the environment and health and safety is part of the development process of new products. In certain instances, the customer places special demands, while legal requirements and other operations-specific demands are guiding features.

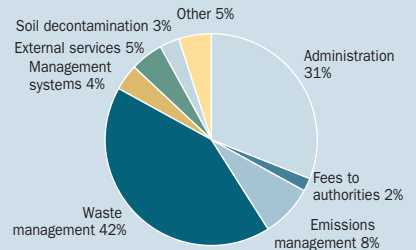
The demands of society and customers for information on the products' environmental properties are continuously intensifying, for example, from the automotive and construction industries, which require detailed declarations of contents. Industry or customer-specific restriction lists for chemicals also exist and, with the imminent implementation of the EU's new chemicals legislation, REACH, there will be greater demands on the reporting of constituent chemical substances, while certain chemicals will be restricted in the long term. Trelleborg is primarily affected as a downstream user and only in limited instances as a direct importer of chemicals.

Sustainability-related expenses and expenditures

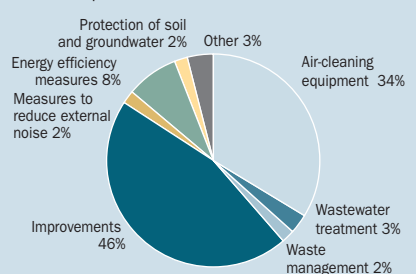
In 2006, a total of SEK 77 M (70) was invested in measures to enhance the environment and health and safety.

Environment and health and safety related costs amounted to SEK 114 M (101), including costs for emissions management*. Reported savings associated with environment and health and safety-related improvements amounted to SEK 37 M (21).

Distribution of sustainability-related expenses



Distribution of environment and health and safety related expenditures



*Not included in the 2005 annual report.

Sustainability report on the internet

Trelleborg's expanded sustainability reporting on the internet continues.

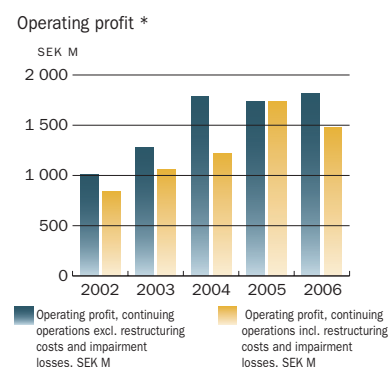
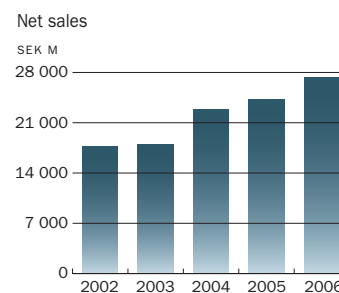
Visit www.trelleborg.com for access to all sustainability-related information, an interactive information database and an index that details how the report is compiled in relation to the GRI's (Global Reporting Initiative) structure. Sustainability-related information for 2006 was gathered from the Group's production facilities in accordance with the Group's standard for sustainability reporting. The manager of each facility is responsible for quality assurance for environmental parameters. The Group Environmental function compiles and processes the information. The reporting principles are described in detail on www.trelleborg.com/sustainability.



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Trelleborg Group, income statements

SEK M	Note	2006	2005
Continuing operations			
Net sales	2	27,041	23,509
Cost of goods sold		-20,328	-17,242
Gross profit		6,713	6,267
Selling expenses		-2,067	-1,901
Administrative expenses		-2,640	-2,438
Research & development costs		-506	-476
Other operating income	6	396	376
Other operating expenses	6	-440	-123
Share of profit or loss in associated companies	7	22	33
Operating profit	3,4,5,8,9,10	1,478	1,738
Financial income	11	19	7
Financial expenses	11	-332	-215
Profit before tax		1,165	1,530
Tax	12	-402	-378
Net profit		763	1,152
Discontinuing operations			
Net sales		243	661
Operating profit		29	41
Profit before tax		28	37
Net profit		3	25
Total			
Total net sales		27,284	24,170
Total operating profit		1,507	1,779
Total profit before tax		1,193	1,567
Total net profit for the year		766	1,177
- of which attributable to minority interest	13	15	16
- of which attributable to Parent Company's shareholders		751	1,161
Earnings per share, SEK			
		2006	2005
<i>Continuing operations</i>			
Earnings		8.25	12.60
Diluted earnings ¹⁾		8.25	12.60
Earnings excluding restructuring costs/impairment losses ¹⁾		11.65	12.60
<i>Total</i>			
Earnings		8.30	12.90
Diluted earnings		8.30	12.90
Dividend, ²⁾		6.00	5.50
Number of shares			
Average		90,357,261	90,160,338
Average, after dilution		90,357,261	90,160,338
1) Net earnings have been adjusted for restructuring costs/impairment losses after tax, SEK M		-304	-
2) In accordance with the Board of Directors' and President's proposal		6.00	5.50



* For years 2002-2003, excluding goodwill amortization.

Comments on the consolidated income statements

Net sales

Consolidated net sales amounted to:

SEK M	2006	2005
Continuing units, SEK M	27,041	23,509
Discontinued units, SEK M	243	661
Total, SEK M	27,284	24,170

With the following change in percent:

Change, %	Continuing operations	Discontinued operations	Total
Organic growth	+ 6		+ 6
Structural changes	+ 9	- 2	+ 7
Exchange-rate movements	-		
Total	+ 15	- 2	+ 13

Net sales per geographic market, continuing operations:

SEK M	2006	2005
Europe	18,968	17,115
North and South America	5,872	4,728
Asia and other markets	2,201	1,666
Total	27,041	23,509

For continuing operations, the most rapid expansion can be seen in Asia and other markets, as well as North and South America

	Sales increase 2006	Share of total sales
Europe, %	+ 11	70
North and South America, %	+ 24	22
Asia and other markets, %	+ 32	8
Total	+ 15	100

Net sales by business area, continuing operations:

SEK M	2006	2005	Nominal change, %
Trelleborg Engineered Systems	9,310	6,671	40
Trelleborg Automotive	9,493	8,995	6
Trelleborg Sealing Solutions	5,389	5,166	4
Trelleborg Wheel Systems	3,145	3,023	4
Eliminations	-296	-346	
Group	27,041	23,509	15

Operating profit

Operating profit for continuing operations, excluding restructuring cost and impairment losses, amounted to SEK 1,815 M (1,738). Three out of four business areas demonstrated a positive earnings trend during the year.

Operating profit – continuing operations:

SEK M	2006	2005
<i>Excluding restructuring costs and impairment losses</i>		
Trelleborg Engineered Systems	805	541
Trelleborg Automotive	214	471
Trelleborg Sealing Solutions	726	703
Trelleborg Wheel Systems	243	215
Other companies	-15	-17
Group items	-158	-175
Operating profit, excl. restructuring costs and impairment losses	1,815	1,738
<i>Restructuring costs and impairment losses</i>		
Trelleborg Engineered Systems	-36	-
Trelleborg Automotive	-280	-
Trelleborg Wheel Systems	-21	-
Operating profit, incl. restructuring costs and impairment losses	1,478	1,738

Restructuring costs and impairment losses were charged to operating profit in an amount of SEK 337 M, with the following breakdown:

Cost of goods sold, SEK M	-43
Selling expenses, SEK M	-5
Administrative expenses, SEK M	-9
Other operating costs, SEK M	-280
Total	-337

The Group's total net financial income and expenses amounted to an expenses of SEK 313 M (expenses: 208), comprising 3.6 percent (2.9) of average net debt during the year.

The Group's tax expenses for the year totaled SEK 427 M (390), representing a tax rate of 36 percent, with the following breakdown:

Continuing operations, excl. restructuring costs and impairment losses, %	29
Restructuring costs and impairment losses, %	6
Discontinued operations, %	1
Total, %	36

The following is recorded as discontinued operations:

Operating profit in Goodall, SEK M	25
Capital loss related to the divestment of Goodall, SEK M	- 76
Reversal of guarantee provision related to valuation of Bröderna Edstrand in connection with a future sale, SEK M	80
Operating profit	29

Continuing operations excluding restructuring costs/impairment losses

SEK M	2006	2005
Net sales	27,041	23,509
EBITDA	2,730	2,579
Operating profit	1,815	1,738
Profit before tax	1,502	1,530
Net profit	1,067	1,152

Income statement per quarter

Continuing operations excluding restructuring costs/impairment losses

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2006	2005	2006	2005	2006	2005	2006	2005
Net sales	6,807	5,642	6,983	6,185	6,306	5,677	6,945	6,005
EBITDA	700	592	727	746	589	628	714	613
Operating profit	468	392	507	538	364	413	476	395
Profit before tax	400	331	431	481	285	381	386	337
Net profit	280	241	306	351	202	276	279	284

Group, total

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2006	2005	2006	2005	2006	2005	2006	2005
Net sales	6,995	5,794	7,038	6,348	6,306	5,846	6,945	6,182
Operating profit	473	398	510	547	365	425	159	409
Profit before tax	404	336	434	489	285	392	70	350
Net profit	300	245	274	355	201	284	-9	293

Trelleborg Group, balance sheets

December 31, SEK M	Note	2006	2005
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	14	6,008	5,667
Goodwill	15	8,968	7,717
Other intangible assets	15	567	491
Shares in associated companies	7	98	121
Financial assets	16-18	94	33
Deferred tax assets	19	833	782
Total non-current assets		16,568	14,811
<i>Current assets</i>			
Inventories	20	3,604	3,275
Current operating receivables	21, 22	6,318	5,732
Current tax assets		363	386
Interest-bearing receivables	23, 24	88	93
Cash and cash equivalents	25	616	663
Total current assets		10,989	10,149
TOTAL ASSETS		27,557	24,960
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital		2,259	2,400
Contributions of other funds		226	226
Other reserves		-114	601
Profit brought forward		6,458	5,653
Net profit for the year		751	1,161
Shareholders' equity		9,580	10,041
Minority interests	13	107	72
Total equity		9,687	10,113
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	27	6,859	5,891
Other non-current liabilities	28	41	43
Pension provisions	29	819	842
Other provisions	30	202	242
Deferred tax liabilities	19	459	149
Total non-current liabilities		8,380	7,167
<i>Current liabilities</i>			
Interest-bearing current liabilities	27	3,225	2,106
Tax liability		451	431
Other current liabilities	28, 31	5,630	4,965
Other provisions	30	184	178
Total current liabilities		9,490	7,680
TOTAL EQUITY, PROVISIONS AND LIABILITIES		27,557	24,960
Contingent liabilities	32	17	211
Pledged assets	32	41	44

Comments on the consolidated balance sheets

The Group's total assets amounted to SEK 27,557 M (24,960), an increase of SEK 2,597 M.

The Group's capital employed for continuing operations increased by SEK 2,155 M to SEK 18,818 M (16,663), attributable to:

Translation differences on foreign subsidiaries	SEK - 1,161 M
Acquisitions	SEK + 3,020 M
Change in working capital, PPE and intangible assets	SEK + 296 M

Capital expenditures for the year amounted to SEK 1,112 M, of which SEK 132 M in intangible assets and SEK 980 M in property, plant and equipment.

Depreciation for the year amounted to SEK 917 M. Impairment testing in relation to Trelleborg Automotive and impairment testing as part of the Group's restructuring

program incurred an impairment loss of goodwill of SEK 135 M and SEK 22 M, respectively, a total of SEK 157 M and SEK 81 M for PPE.

The Group's net borrowings increased by SEK 2,114 M to SEK 9,350 M. The purchase consideration for acquisitions made during the year totaled SEK 3,095 M, including acquisition costs. Exchange-rate differences reduced net borrowing by SEK 387 M.

Equity decreased during the year by SEK 426 M. Exchange rate differences amounted to a loss of SEK 730 M, including exchange-rate differences (net after tax) on hedging instruments.

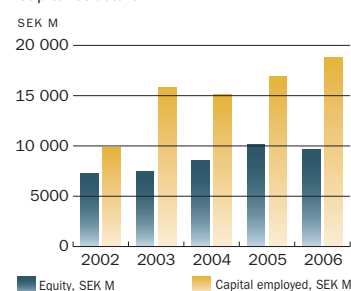
Dividends amounted to SEK 497 M.

The debt/equity ratio was 96 percent (72).

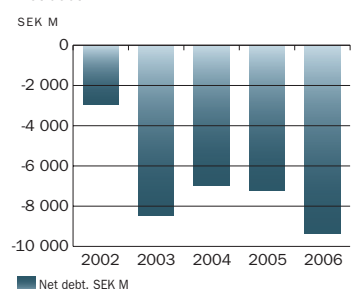
Net debt

SEK M	2006	2005
Non-current interest-bearing investments and receivables	30	5
Current interest-bearing receivables	88	93
Cash and cash equivalents	616	663
Total interest-bearing assets	734	761
Interest-bearing non-current liabilities	-6,859	-5,891
Interest-bearing current liabilities	-3,225	-2,106
Total interest-bearing liabilities	-10,084	-7,997
Net debt	-9,350	-7,236
Change in net debt:		
Net debt at January 1	-7,236	-6,951
Cash flow for the year	-2,499	208
Borrowing costs	-2	14
Exchange-rate differences	387	-507
Net debt at year-end	-9,350	-7,236

Capital structure



Net debt


Change in total equity, Group

Total equity SEK M	Attributable to Parent Company's shareholders						Minority				Total	
	Share capital		Other capital contributions		Other reserves		Profit brought forward					
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Opening balance, January 1	2,400	2,400	226	226	601	-183	6,814	6,032	72	128	10,113	8,603
Adjustment of opening balance in accordance with IAS 39						19		-5			-	14
Changes during the year												
Acquisitions									26	-102	26	-102
Reduction of share capital through cancellation of treasury shares	-141						141				-	-
Transfer of treasury shares at exercise of call options								78			-	78
Cash flow hedges, net after tax					10	-14					10	-14
Translation difference					-905	1,008			-5	31	-910	1,039
Hedging of net investments after tax					180	-229					180	-229
Net profit							751	1,161	15	16	766	1,177
Dividend							-497	-452	-1	-1	-498	-453
Closing balance, December 31	2,259	2,400	226	226	-114	601	7,209	6,814	107	72	9,687	10,113

For other reserves, see also Note 26.

The Board of Directors and the President propose a dividend of SEK 6.00 (5.50) per share, a total of SEK 542 M (497).

Trelleborg Group, cash-flow statements

SEK M	Note	2006	2005
<i>Operating activities</i>			
Operating profit		1,478	1,738
<i>Adjustment for items not included in cash flow:</i>			
Amortization of intangible assets	15	114	65
Depreciation of PPE	14	803	776
Impairment of intangible assets	15	157	-
Impairment of PPE	14	81	-
Provisions for restructuring costs		99	-
Non-distributed share of profit in associated companies		12	21
		2,744	2,600
Interest received and other financial items		67	26
Interest paid and other financial items		-312	-283
Tax paid		-320	-393
Cash flow from operating activities before changes in working capital		2,179	1,950
<i>Cash flow from changes in working capital</i>			
Change in inventories		-267	-149
Change in operating receivables		-512	-92
Change in operating liabilities		635	197
Utilization of restructuring provisions		-83	-107
Cash flow from operating activities		1,952	1,799
<i>Investing activities</i>			
Acquisitions	33	-3,095	-368
Restructuring measures in acquired units		-41	-63
Divestments	33	175	1
Capital expenditures for intangible assets	15	-132	-184
Capital expenditures for PPE	14	-980	-689
Sale of non-current assets		119	87
Cash flow from investing activities		-3,954	-1,216
<i>Financing activities</i>			
Change in interest-bearing investments		-20	-26
Change in interest-bearing liabilities		2,520	-23
Dividend paid		-497	-452
Dividend to minority		-1	-1
Transfer of treasury shares at exercise of call options		-	78
Cash flow from financing activities		2,002	-424
Cash flow for the year		0	159
<i>Cash and cash equivalents:</i>			
Opening balance, January 1		663	475
Reclassification of opening balance		-	-36
Exchange-rate difference		-47	65
Cash and cash equivalents, December 31		616	663

Comments on the consolidated cash-flow statements

Consolidated operating cash flow amounted to SEK 1,607 M (1,770).

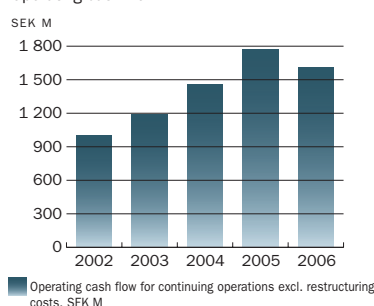
The decrease was principally attributable to the lower operating profit in Trelleborg Automotive, as well as a higher level of tied-up capital in Trelleborg Automotive and Trelleborg Wheel Systems. The cash flow amounted to 89 percent of operating profit, excluding restructuring costs and impairment losses, and achieved the Group's target figure of 80-90 percent of operating profit.

After deductions for payments made in connection with restructuring measures, financial payments and taxes, free cash flow amounted to SEK 918 M (949), corresponding to SEK 10.15 per share (10.55).

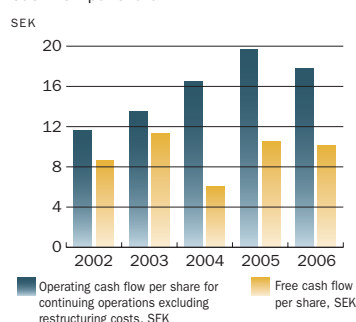
Acquisitions during the year affected cash flow in the amount of SEK 3,095 M, of which SEK 956 M related to the acquisition of the CRP Group and SEK 1,333 M to the acquisition of Reeves Brothers Inc. The sale of Goodall resulted in a positive cash flow of SEK 175 M. Dividends paid to shareholders amounted to SEK 497 M, corresponding to 54 percent of free cash flow for the year.

Total net cash flow amounted to a negative SEK 2,499 M (positive: 208).

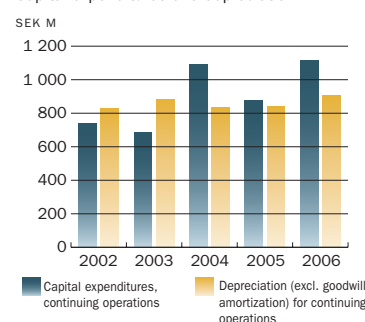
Operating cash flow



Cash flow per share



Capital expenditures and depreciation



Cash flow report

2006 SEK M	EBITDA excl. non-distributed shares in associated companies		Capital expenditures		Sold non-current assets		Change in working capital		Total cash flow	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Trelleborg Engineered Systems	1,066	763	-271	-151	14	2	6	21	815	635
Trelleborg Automotive	679	884	-495	-474	13	4	-52	5	145	419
Trelleborg Sealing Solutions	918	905	-198	-148	72	44	2	-91	794	710
Trelleborg Wheel Systems	346	321	-139	-84	-	2	-54	-4	153	235
Other companies	-8	-10	-	-1	1	14	-7	-	-14	3
Group items	-257	-263	-9	-15	19	21	-39	25	-286	-232
Operating cash flow	2,744	2,600	-1,112	-873	119	87	-144	-44	1,607	1,770
Restructuring measures in acquired units									-41	-63
Utilization of restructuring provisions									-83	-107
Dividend to minority									-	-1
Financial items									-245	-257
Tax paid									-320	-393
Free cash flow									918	949
Acquisitions									-3,095	-368
Divestments									175	1
Transfer of treasury shares at exercise of call options									-497	-452
Exercise of warrants and call options									-	78
Total net cash flow									-2,499	208
Net debt, opening balance									-7,236	-6,951
Total net cash-flow									-2,499	208
Borrowing costs									-2	14
Exchange-rate differences									387	-507
Net debt, closing balance									-9,350	-7,236

Parent Company, Trelleborg AB, income statements and cash-flow statements
INCOME STATEMENT

SEK M	Note	2006	2005
Administrative expenses	35-36, 40	-312	-327
Other operating income	37	238	211
Other operating expenses	37	-1	-1
Operating profit/loss	38-39	-75	-117
Financial income and expenses	41	97	-756
Profit/loss before tax		22	-873
Income tax	42	193	186
Net profit/loss		215	-687

CASH FLOW STATEMENT

SEK M	2006	2005
<i>Operating activities</i>		
Operating profit/loss	-75	-117
<i>Adjustment for items not included in cash flow:</i>		
Gain/loss on sale of non-current assets	-3	0
Depreciation of PPE	2	3
Amortization of intangible assets	-	0
Divestments and disposals	3	-
	-73	-114
Cash dividend received	637	334
Interest received and other financial items	230	395
Interest paid and other financial items	-787	-774
Tax paid	-1	-1
Cash flow from operating activities before changes in working capital	6	-160
<i>Cash flow from changes in working capital</i>		
Change in inventories	1	0
Change in operating receivables	-41	109
Change in operating liabilities	-19	9
Cash flow from operating activities	-53	-42
Acquisition of subsidiaries/capital contribution	-3,008	-15,114
Divestment of subsidiaries	-	0
Capital expenditures for PPE	-1	-3
Capital expenditures for intangible assets	-3	-10
Sale of non-current assets	6	0
Cash flow from investing activities	-3,006	-15,127
<i>Financing activities</i>		
Change in interest-bearing investments	1,277	8,720
Change in interest-bearing liabilities	2,279	6,807
Dividend paid	-497	-452
Transfer of treasury shares at exercise of call options	-	78
Cash flow from financing activities	3,059	15,153
Cash flow for the year	0	-16
At January 1	0	16
Cash and cash equivalents, December 31 ¹⁾	0	0
<i>1) Cash and cash equivalents:</i>		
Cash and bank balances	0	0
Current investments	-	-
Total at year-end	0	0

Parent Company, Trelleborg AB, balance sheets

BALANCE SHEET

December 31, SEK M	Note	2006	2005
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	43	7	11
Intangible assets	44	10	10
Financial assets	45-46	28,420	26,661
Deferred tax asset	47	-	47
Total non-current assets		28,437	26,729
<i>Current assets</i>			
Inventories	48	-	1
Current receivables	49-50	80	39
Tax assets		0	0
Interest-bearing receivables	51	1,906	1,324
Cash and bank balances		0	0
Total current assets		1,986	1,364
TOTAL ASSETS		30,423	28,093
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
<i>Restricted equity</i>			
Share capital		2,259	2,400
Statutory reserve		1,130	1,130
Total restricted equity		3,389	3,530
<i>Non-restricted equity</i>			
Fair value reserve		132	277
Profit brought forward		3,865	4,143
Net profit/loss for the year		215	-687
Total non-restricted equity		4,212	3,733
Total shareholders' equity		7,601	7,263
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	55	121	361
Pension provisions and similar items	53	4	4
Other provisions	54	0	4
Total non-current liabilities		125	369
<i>Current liabilities</i>			
Interest-bearing current liabilities	55	22,623	20,332
Other current liabilities	56-57	70	115
Other provisions	54	4	14
Total current liabilities		22,697	20,461
TOTAL EQUITY AND LIABILITIES		30,423	28,093
Contingent liabilities	58	380	726
Pledged assets	58	-	-

Change in shareholders' equity

Shareholders' equity SEK M	Restricted equity		Non-restricted equity		Total	
	2006	2005	2006	2005	2006	2005
Opening balance, January 1	3,530	3,530	3,733	4,271	7,263	7,801
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:						
Reduction of share capital through cancellation of treasury shares	-141		141			
Dividend			-497	-452	-497	-452
Fair value gains			-201	159	-201	159
Tax on fair value gains			56	-45	56	-45
Divestment of treasury shares at exercise of call options				78		78
Group contribution			1,062	304	1,062	304
Tax on Group contribution			-297	-85	-297	-85
Net profit/loss for the year			215	-687	215	-687
Closing balance, December 31	3,389	3,530	4,212	3,733	7,601	7,263

Note 1

Accounting and valuation policies

The Parent Company, Trelleborg AB (publ) is a limited-liability company with its 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. In addition, the Swedish Financial Accounting Standards Council's recommendation RR 30, Supplementary Accounting Regulations for Groups, and the Annual Accounts Act has been applied.

In the Group's five-year summary, data up to and including 2003 has not been prepared in accordance with IFRS, but is reported in accordance with earlier Swedish General Accepted Accounting Practice.

Items included in the financial statements of the units within the Group are measured in the currency used in the economic environment in which each company primarily operates (functional currency). In the consolidated accounts, SEK is used, which is the functional and presentation 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, primarily as a result of the Swedish Annual Accounts Act.

Introduction of new and revised IFRS

Effective January 1, 2006, the following amendments and new standards, IAS and IFRS, as well as interpretations have been established by the IASB and adopted by the EU:

IAS 19 – Employee Benefits: An amendment with regard to the reporting of actuarial gains and losses. According to the amendment, it is permitted to report actuarial gains and losses directly in shareholders' equity. Trelleborg has chosen not to apply this method of reporting actuarial gains or losses.

IAS 39 – Financial instruments: Recognition and measurement: The amendment pertains to cash-flow hedge accounting of intra-group transactions, the possibility of reporting at fair value and financial guaranteed contracts. Effective January 1, 2006, Trelleborg applies cash-flow hedge accounting of intra-group transactions. This change only has entailed a marginal effect for the comparative year 2005. The changes made to the fair value options and financial guarantee contracts entail no change to Trelleborg's accounting policies.

IFRIC 4 – Determination of whether an agreement constitutes a leasing agreement – This interpretation is not applicable to the Group.

IAS 21 – The effects of changes in foreign exchange rates: Transactions between subsidiaries in a Group can be viewed as an extended investment in foreign operations. The change increases the number of companies and currencies that may be included in such a hedging transaction. Accordingly, Trelleborg Treasury AB has taken over the majority of receivables that are regarded as an extended investment in foreign operations. This has not entailed any change for the Group.

IFRIC 7 – Financial reporting in hyperinflationary economies: Currently, the Group has no operations in countries in which a transition to high-inflation accounting is of interest.

IFRIC 8 – Scope of application of IFRS 2: Goods and services received in exchange for an equity instrument, even if such goods and services cannot be specifically identified, either in part or in their entirety. This statement is not applicable for the Group, since these types of transactions do not occur.

IFRIC 9 – Reassessment of embedded derivatives. The Group has no embedded derivatives.

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 percent of the voting rights 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, liabilities incurred or assumed on the date of acquisition, plus any expenditure directly attributed to the acquisition. The purchase method of accounting entails that the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities, irrespective 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 the Group's 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.

Subsidiaries acquired during the financial year are recognized in the consolidated accounts from the date when control was transferred to the Group.

Subsidiaries divested during the financial year are recognized in the consolidated accounts up to and including the date when control ceased.

All intra-Group transactions – expenses, revenues, receivables, liabilities and unrealized gains and Group contributions – 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 controlling influence corresponding to between 20 and 50 percent of the voting rights.

Investments in associated companies are reported in accordance with the equity method and are initially reported at cost. Valuation of acquired assets and liabilities is conducted in the same manner as for subsidiaries and the carrying amount for associated companies includes any goodwill or other fair-value adjustments.

The Group's holdings in associated companies are of an operating nature. Accordingly, the Group's share in the post-acquisition results of an associated company is recorded in the income statement in the item "Share of profit or loss in associated companies" and is included in operating income. 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. 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 evidence of an impairment of the transferred asset.

Joint venture companies

A joint venture pertains to an agreement-based relationship in which two or more parties jointly conduct a financial operation and have a joint controlling influence over the business. Investments in joint ventures are reported in accordance with the equity method, similar to investments in associated companies.

Minority interest

Minority interest in the Group's net profit is shown as a separate item at the bottom of the income statement. Transactions with minorities are reported in the same manner as transactions with external parties.

Minority interest in the equity of subsidiaries is disclosed as a separate item within the Group's equity. The acquisition of minority interests can result in goodwill if the acquisition value exceeds the reported liability to minority interests. The divestment of interests to minorities results in gains or losses, which are recorded in the consolidated income statement.

Discontinuing or divested operations

Discontinuing or divested operations comprise operations and assets that the Group has discontinued or divested or has decided to fully or almost fully discontinue or divest through sale or distribution. These assets are reported at the lower of the carrying amount and fair value, selling expenses. These assets are not depreciated from the date of reclassification.

Translation of foreign subsidiaries

The earnings and financial positions of Group subsidiaries and associated companies (none of which use a high-inflation currency) are prepared in the functional currency of each company. In the consolidated accounts, the earnings and financial position of foreign subsidiaries are translated into Swedish kronor (SEK), in accordance with the following:

Income and expenses in the income statements of subsidiaries are translated

at the average exchange rate for the applicable year, while assets, shareholders' equity and liabilities in the balance sheet are translated at the closing rate. Exchange-rate differences arising from translation are recorded as a separate item directly in the Group's equity.

Translation differences that arise on financial instruments, which are held for hedging of net assets in foreign subsidiaries, are also entered as a separate item directly in the Group's shareholders' equity.

On divestment, the accumulated translation differences attributable to the divested unit, previously reported directly against shareholders' equity, are realized in the consolidated income statement 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 valued at the nominal amount and 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 that arise on initial recognition of an asset or liability, and are not attributable to a business combination or have affected accounted or taxable earnings, do not entail a deferred tax asset or tax liability in the balance sheet.

Temporary differences are not recognized in 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.

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. Intra-Group sales are conducted at arms length. For a description of the different segments, see pages 12 – 19.

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 four business areas: Trelleborg Engineered Systems, Trelleborg Automotive, Trelleborg Sealing Solutions and Trelleborg Wheel Systems.

Segment reporting for the business areas comprise operating revenues and expenses and 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 percent 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 Europe, North and South America, Asia and other markets.

Net sales are reported according to customer location, while assets and capital expenditures 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

Revenue comprise the fair value of goods and services sold less VAT and discounts, and after the elimination of intra-Group sales.

Revenue is recognized as follows:

Sales of goods:

Revenue from sale of goods is recognized during the period in which the product is delivered and when all significant risks and rewards related to ownership have been transferred to the buyer. Accordingly, the company no longer has any involvement that is 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 conducted 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 revenue:

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, capital gain from the sale and scrapping of property, plant, equipment and tools and also gains or losses on sales of associated companies.

Borrowing costs

Borrowing costs are expensed in the period in which they occur. Transaction costs for loans raised are recognized over the duration of the loan using the effective interest method.

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 transaction 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 date 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. Reversal to the income statement is conducted at the same time the hedged transaction affects the income statement.

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 selling costs and value in use. Value in use pertains to the total present value of the estimated future cash flows and the calculated residual value at the end of the useful life. 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. The Group bases the calculation on achieved earnings, forecasts, business plans, financial forecasts and market data. For assets dependent on other assets generating cash flow, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. The cash-generating units comprise the Group's primary segments. Impairment losses are reversed if there is a change in the recoverable amount, with the exception of impairment losses on goodwill. The amount reversed may not exceed what the book value would have been if no impairment had been made.

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 a separate intangible asset. Goodwill on acquisition of associated companies is included in the value of the investment in the associated company and is tested with regard to possible impairment losses as a portion of the value of the total investment. Goodwill is tested annually to identify possible impairment losses and is measured at cost less accumulated impairment losses. Impairment losses are not reversed. 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 to 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 capitalized 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. Amortization is based on the anticipated useful life, normally a period of five years.

Most of the Group's expenditures pertain to 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 externally acquired assets, such as patents, brands and licenses. Assets with a finite useful life are measured at cost less accumulated amortization and impairment losses. Assets with an indefinite 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 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, and if necessary, impairment testing is carried out. The residual value of an asset is immediately impaired to the recoverable value if the residual value of an asset exceeds its estimated recoverable value. See impairment losses above.

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	Not depreciated
Buildings	1.5-6 percent
Machinery	5-33 percent
Tools and molds	33 percent
Office equipment	10-20 percent

Subsequent expenditure for a PPE is added to the residual value or recorded as a 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 as other operating income and other operating costs, respectively.

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 current value of the lease payments, whichever is lower. The leased asset is recorded as PPE.

Each lease payment is split into 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 depreciated in accordance with the same principles applicable to other assets of the same type.

Lease agreements not classified as finance leases represent operating leases. Lease payments for operating leases are expensed as operating costs straight-line over the term of the lease.

Financial instruments

Financial instruments recorded in the balance 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 initially recorded 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 all benefits and risks associated with ownership have been transferred. 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 at fair value or amortized cost, depending on their classification. All financial derivative financial instruments are measured at fair value.

The purchase and sale of financial assets is recognized on the transaction date, which is the date the Group undertakes to purchase or sell the asset. On each balance-sheet date, the Group assesses if any financial asset or group of financial assets have been impaired.

Classification 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, loans, accounts receivable and financial assets available 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.

Calculation of fair value

The fair value of listed financial instruments is based on the appropriate market quotation on the balance-sheet date. For unlisted financial instruments, or if the market of a certain financial asset is not active, the value is determined by applying valuation techniques, whereby the Group makes assumptions that are based on the market conditions prevailing on the balance-sheet date. Market rates form the basis for the calculation of fair value of long-term loans. For other financial instruments with no specified market value, the fair value is deemed to correspond to the carrying amount.

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are valued at the exchange rate prevailing on the balance-sheet date. Exchange-rate differences on operating receivables and operating liabilities are included in operating income, while exchange-rate differences on financial receivables and liabilities are classified as financial items.

Financial assets valued at fair value through profit or loss

This category comprises both financial assets held for trading as well as assets designated into this category and valued at fair value through profit or loss at the time of investment. 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 subsequently.

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

Financial liabilities at fair value through profit or loss

This category comprises derivatives with a negative fair value that are not used for hedge accounting and financial liabilities held for trading. The liabilities are measured continuously at fair value and the change in value is reported in the income statement as a financial item. Only derivative instruments were reported in this category during the year.

Financial assets 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, that is, distributed over a period so a constant interest is received.

At December 31, 2006 and 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 instruments and that have either been assigned to this category on the first reporting occasion 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, except with regard to changes attributable to exchange-rate changes pertaining to bonds, which are recognized as financial items in the income statement. When the assets are derecognized, from the balance sheet recorded accumulated gains or losses are transferred to the income statement. Any impairment losses are always recognized in the income statement.

At December 31, 2006 and December 31, 2005, the Group held no instruments belonging to this category.

Loans and receivables

Loans and receivables are financial assets that are not derivatives with fixed or determinable payments and that are not quoted in an active market.

Loan receivables and 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 bad debt provision 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 receivable's effective interest rate. The provision is charged to 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 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 derivative instruments 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.

Derivative instruments are recognized in the balance sheet from the contract date and are measured at fair value, both initially and in subsequent reassessment. The method for reporting the gains or losses arising in connection with reassessment depend on whether or not the derivatives have 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 valued at fair value through profit or loss. Realized and unrealized gains and losses resulting from changes in fair value are recorded as financial items 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 – internal and external –

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 or transaction 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 transaction 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 do not meet 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, both within the Group and externally, 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 operating profit 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 forecast external 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.

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 net borrowings. Amounts to be paid or received in relation to interest-rate derivatives are recorded on an ongoing basis as interest income or interest expenses.

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 subsidiaries

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. In the consolidated balance sheet, the borrowing are measured at the closing rate and exchange differences are recorded directly against equity after adjustment for the tax portion.

The Group has borrowings 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. Any ineffective portion of the exchange-rate difference is recognized directly in the income statement as a financial item.

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

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

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 intra-Group 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 treasury shares are recorded directly in equity. Holdings of treasury shares reduce profit brought forward. When treasury shares are cancelled, the share capital is reduced by an amount corresponding to the par value of the shares and accumulated profit or loss is increased by the corresponding amount.

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.

Provisions are made for environmental activities that are related to earlier operations when it is probable that a payment liability will arise and the amount can be estimated with reasonable precision. Provisions are split into non-current and current provisions.

Shareholders' contributions and Group contributions

Shareholders' contributions to subsidiaries 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 expenses. 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 the acquisition of 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 a 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 entity.

Pension plans are normally financed through contributions to a separate legal entity 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 percent of the pension obligations or the market value of the plan assets, the exceeding amount 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 is a defined-benefit plan and encompasses several employers. Since Trelleborg did not have access to information to enable it to report this plan as a defined-benefit plan, it was consequently 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 estimates and judgements

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:

- Impairment testing of goodwill and other assets: The impairment requirement for goodwill implies that goodwill is tested annually in conjunction with the year-end or as soon as changes indicate that a risk for impairment exists, such as when the business climate changes or a decision is made on the divestment or closure of an operation. Impairment losses are recognised if the estimated value in use exceeds the residual or sale value. See also Note 15. Goodwill represents approximately 90 percent of the Group's equity.
- Other non-current assets are recorded at their loss, less accumulated depreciation and any impairments. The Group has no intangible assets other than goodwill with an indefinite useful life. Amortization and depreciation occurs over the estimated useful life, down to the assessed residual value. The value is tested as soon as changed conditions show that a need for impairment has occurred. Value in use is measured as anticipated future discounted cash flow, primarily from the cash-generating unit to which the asset belongs, but in specific cases, also in relation to individual assets. Testing of the residual value of an asset also becomes necessary when a decision on termination is made. The asset is measured at the lower of the residual value and the fair value less costs to sell value and the actual value after deduction of selling costs. Other intangible assets of PPE amount to approximately 65 percent of the Group's equity.
- Calculation of deferred tax assets and liabilities: Assessments are made to determine current and deferred tax assets and liabilities, particularly with regard to deferred tax assets. In this manner, it is assessed how probable it is that the deferred tax receivables will be used for settlement against future taxable gains. The fair value of these future taxable gains may deviate owing to the future business climate and earnings potential or changes to tax regulations. For further information, see Note 19.
- Calculations of remuneration to employees: The value of pension obligations for benefit-based pension plans is based on actuarial calculations based on from assumptions concerning discount rates, expected yield from plan assets, future salary increases, inflation and the demographic conditions. At year-end, the Group's benefit-based obligations amounted to SEK 790 m. As regards accounting policies, actuarial gains and losses in defined-benefit pension plans are only entered into the income statement in the amount they either exceed or fall below 10 percent of the highest of the present value of the

defined-benefit pension obligation, valued at fair value, or the fair value of the plan assets. Net unrecognized actuarial gains or losses amounted to a loss of SEK 46 M at year-end.

- Calculations regarding legal disputes and contingent liabilities: The Group is involved in a number of disputes and legal proceedings within its operating activities. The management engages both external and internal expertise in these matters. According to assessments made, the Group is not involved in any legal disputes that can entail any major negative effect on the operation or the financial position. For further information concerning Risks and risk management, see pages 36-39.
- Calculations of provisions for restructuring measures, other provisions and accrued expenses: The size of provisions for restructuring is based on assumptions and estimations regarding the point in time and cost for future activities, such as the size of severance payments or other obligations in connection with termination of employment. Calculations for this type of cost are based on the relevant situation in the negotiations with the parties concerned.

Cash-flow statements

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

New accounting regulations effective as of January 1, 2007

The following standards and statements, which have been endorsed by the European Commission and will impact the Group, became effective after the balance-sheet date:

IAS 1 – Presentation of financial statements - Effective as of January 1, 2007.

At present, this standard is deemed to involve extended disclosure, which includes the definition of capital, capital structure and policies for the management of capital.

IFRS 7 – Financial instruments – disclosures: Effective as of January 1, 2007.

At present, this standard is deemed to involve the submission of additional disclosures in the form of information regarding risks, policies and financial instruments.

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 differences 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 fair-value reserve in equity. Consequently, changes in the value of hedging instruments are also recognized in a fair-value 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.

Note 2

Segment reporting

Primary segments

A description of the Group's primary segments is presented on Pages 12-19.

Net sales and operating profit by business segment

SEK M	2006						2005					
	Net sales			Operating profit	Of which restructuring costs/impairment losses	Of which profit/loss in associated companies	Net sales			Operating profit	Of which restructuring costs/impairment losses	Of which profit/loss in associated companies
External	Internal	Total	External				Internal	Total				
Trelleborg Engineered Systems	9,043	267	9,310	769	-36	7	6,390	281	6,671	541	-	5
Trelleborg Automotive	9,490	3	9,493	-66	-280	15	8,994	1	8,995	471	-	26
Trelleborg Sealing Solutions	5,367	22	5,389	726			5,119	47	5,166	703	-	5
Trelleborg Wheel Systems	3,141	4	3,145	222	-21		3,006	17	3,023	215	-	-3
Other operations				-173						-192	-	
Discontinued operations	243		243	29			661		661	41	-	
Elimination of inter-company sales		-296	-296					-346	-346		-	
Trelleborg Group	27,284	0	27,284	1,507	-337	22	24,170	0	24,170	1,779	-	33
Financial income				19						7		
Financial costs				-333						-219		
Income tax				-427						-390		
Net profit for the year				766						1,177		

Assets and liabilities by business segment

SEK M	2006								2005							
	Operating assets	Operating liabilities	Capital employed	Of which investment in associated companies	Capital expenditures	Depreciation/Amortization	Impairment losses	Operating cash flow	Operating assets	Operating liabilities	Capital employed	Of which investment in associated companies	Capital expenditures	Depreciation/Amortization	Impairment losses	Operating cash flow
Trelleborg Engineered Systems	8,375	2,455	5,920	25	271	236	5	815	4,507	1,499	3,008	17	151	201	-	635
Trelleborg Automotive	7,429	2,376	5,053	72	495	406	229	145	7,768	2,347	5,421	104	474	360	-	419
Trelleborg Sealing Solutions	7,235	861	6,374	-1	198	171		794	7,709	921	6,788	-2	148	172	-	710
Trelleborg Wheel Systems	2,213	795	1,418	2	139	91	4	153	2,213	770	1,443	2	84	95	-	235
Other operations	345	197	148		9	13		-300	347	263	84		16	13	-	-229
Discontinued operations									346	87	259					
Provisions for restructuring measures	11	106	-95						7	88	-81					
Elimination of inter-company operating liabilities/receivables	-28	-28							-18	-18						
Trelleborg Group	25,580	6,762	18,818	98	1,112	917	238	1,607	22,879	5,957	16,922	121	873	841	-	1,770

Segment reporting

Secondary segments

External net sales by geographical market

SEK M	2006	2005
	Net sales External	Net sales External
Europe	18,968	17,115
North and South America	6,115	5,389
Asia and other markets	2,201	1,666
Trelleborg Group	27,284	24,170

Assets by geographical market

SEK M	Operating assets		Capital expenditures	
	2006	2005	2006	2005
Europe	19,488	17,560	782	657
North and South America	4,718	4,186	169	107
Other markets	1,681	1,361	161	109
Elimination	-307	-228		
Trelleborg Group	25,580	22,879	1,112	873

Net sales

Continuing operations

By geographical market

SEK M	2006	2005
	Sweden	1,902
France	3,456	3,261
Italy	1,483	1,362
Spain	1,092	1,018
UK	2,523	2,091
Germany	3,794	3,432
Other European countries	4,718	4,039
Total European countries	18,968	17,115
North and South America	5,872	4,728
Asia and other markets	2,201	1,666
Total	27,041	23,509
Of which sales of goods	26,928	23,462
services	113	47

In the translation of foreign subsidiaries, changes in exchange rates compared with 2005 affected sales and operating profit negatively by 0.2 percent and 0.6 percent, respectively.

Trends in key currencies were as follows:

	2006		2005	
	Average rate	Closing day rate	Average rate	Closing day rate
EUR	9,2548	9,0593	9,2848	9,4393
USD	7,3763	6,8738	7,4796	7,9538
GBP	13,5747	13,4938	13,5798	13,7388

Note 3

Employees and employee benefits

Average number of employees

	2006			2005		
	Women	Men	Total	Women	Men	Total
Sweden	712	1,526	2,238	757	1,694	2,451
France	626	2,155	2,781	678	2,218	2,896
Italy	239	1,058	1,297	238	1,049	1,287
Spain	271	1,079	1,350	282	1,076	1,358
UK	475	1,835	2,310	518	1,672	2,190
Germany	292	1,018	1,310	287	996	1,283
Rest of Europe	1,170	2,926	4,096	1,109	2,676	3,785
Total Europe	3,785	11,597	15,382	3,869	11,381	15,250
US	861	2,000	2,861	808	1,740	2,548
Brazil	83	794	877	79	754	833
Other markets	404	442	846	391	567	958
Total North and South America	1,348	3,236	4,584	1,278	3,061	4,339
China	136	428	564	86	284	370
Sri Lanka	32	791	823	32	672	704
Other markets	184	969	1,153	183	848	1,031
Total Asia and other markets	352	2,188	2,540	301	1,804	2,105
Total	5,485	17,021	22,506	5,448	16,246	21,694

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

Employee benefits

SEK M	2006	2005
	Salaries and other remuneration	Salaries and other remuneration
Sweden	763	774
France	822	762
Italy	393	426
Spain	334	320
UK	807	680
Germany	574	567
Rest of Europe	834	775
Total Europe	4,527	4,304
US	1,017	865
Brazil	95	82
Other North and South American countries	122	142
Total North and South America	1,234	1,089
China	25	16
Sri Lanka	19	17
Other markets	209	173
Total Asia and other markets	253	206
Total	6,014	5,599
Of which		
to board members, presidents and executive vice presidents, including variable salaries	112	141
to other senior executives	16	18

SEK M	2006	2005
Social security expenses	1,355	1,174
Pension costs – premium-defined plans	158	156
Pension costs – benefit-defined plans	77	95

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

During 2006, the President, who is also Chief Executive Officer, received 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. Of the total variable salary, 65 percent is based on the Trelleborg Group's profit before tax, and 35 percent on the Group's net profit, in both cases excluding the effect of structural changes approved by the Board. The variable salary does not constitute pensionable income.

The President has a pension agreement that entitles him to retire at the age of 65. However, under the terms of the pension agreement, both the company and the President have the right, without special justification, to request early retirement from 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 possible early retirement. The pension agreement is solely premium-based, and the premium is computed as 35 percent of the fixed annual salary. Pension premiums were expensed in 2006 as shown in the table below.

The President's employment contract stipulates that termination of employment 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 30-50 percent of total salary, based mainly on the earnings trend for the Group. In view of market conditions, the established upper limit for certain senior executives positioned outside Sweden may total 70 percent of total salary.

Some of these executives have agreements specifying mutual rights to request early retirement from the age of 60. In this case, compensation normally amounting to 60 percent of fixed annual salary is paid until the age of 65, when the regular retirement pension payments become effective. At the beginning of 2007, benefit-defined plans were replaced by defined-contribution plans, whereby the pension premium is calculated at 30 percent of fixed

annual salary. For other senior executives, 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 an opportunity to have a company car free of charge.

Incentive program

The Board of Directors resolved in 2005 to introduce a long-term incentive program for the President and other senior executives (about 25 persons) that hold a significant influence on the Trelleborg Group's earnings per share. The Board of Directors also resolved to introduce a similar program in 2006. Both programs are ongoing three-year programs for which the Board will approve possible new programs annually. The programs are cash-based and constitute 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 percent, and includes costs for the programs. For 2005, the Board established a goal of SEK 12.40 in earnings per share. Payments to senior executives for the 2005 program have an upper cap, corresponding to 100 percent of the average annual variable salary at the end of the program. For 2006, the Board established a target of SEK 14.10 with the upper cap for payments to senior executives set at 150 percent of the average annual variable salary at the end 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, and for the program approved in 2006, payments will be made in the first quarter of 2009. The payments do not constitute pensionable income. In 2006, there were no charges for these programs.

Specification of remuneration to Board members, salaries to the President, Executive Vice Presidents and other senior executive officers

2006 SEK 000s	Base salary Board fee	Variable salary	Other benefits	Pension costs	Total
Chairman of the Board	826				826
Other Board members, five persons	1,594				1,594
President	5,134	1,280	114	1,682	8,210
Executive Vice Presidents, two persons, up to and including September 30, 2006	6,666	763	465	2,300	10,194
Other senior executives, 11 persons	25,068	5,397	948	5,770	37,183
Total	39,288	7,440	1,527	9,752	58,007

The long-term incentive programs did not entail any expenses in 2006.

2005 SEK 000s	Base salary Board fee	Variable salary	Other benefits	Pension costs	Total
Chairman of the Board	730				730
Other Board members, five 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 executives, 11 persons	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.

Note 4

Auditors' remuneration

SEK M	2006	2005
<i>PricewaterhouseCoopers</i>		
Audit assignment	30	26
Other assignments	14	6
<i>Other auditors</i>		
Audit assignment	0	0
Other assignments	0	0
Total	44	32

Note 5

Restructuring costs and impairment losses

SEK M	2006	2005
Restructuring of Trelleborg Automotive's operation in the UK and Germany	-280	-
Relocation of tire operation from Hartville, Ohio	-21	-
Relocation of production of protective products from Ystad	-13	-
Merger of two Spanish units	-23	-
Total	-337	-

SEK M	2006	2005	2006	2005
	Impairment losses		Restructuring costs	
Trelleborg Engineered Systems	-5	-	-31	-
Trelleborg Automotive	-229	-	-51	-
Trelleborg Wheel Systems	-4	-	-17	-
Total	-238	-	-99	-

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

Restructuring costs and impairment losses distributed per function

SEK M	2006	2005
Cost of goods sold	-43	-
Selling expenses	-5	-
Administrative expenses	-9	-
Other operating costs	-280	-
Total	-337	-

Note 6

Other operating income and expenses

SEK M	2006	2005
Continuing operations		
Rental revenue	23	26
Exchange-rate differences	33	58
Customer-/Supplier-related revenues	64	12
Sale of tools, etc.	114	134
Sale of services	27	37
Other	135	109
Total other operating income	396	376
Royalties	-15	-8
Operating costs for rental operations	-42	-43
Exchange-rate differences	-55	-62
Restructuring costs Trelleborg Automotive	-280	0
Other	-48	-10
Total other operating expenses	-440	-123
Total continuing operations	-44	253
Discontinued operations		
Reversal of guarantee provision related to Br Edstrand, see note 33	80	0
Other operating income	1	2
Other operating expenses	-65	0
Total Group	-28	255

Note 7

Share of profit or loss in associated companies

SEK M	Profit before tax		Tax		Net profit after tax		Dividend received	
	2006	2005	2006	2005	2006	2005	2006	2005
Dawson Manu.Co.	23	41	-8	-15	15	26	33	40
Other associated companies	10	11	-3	-4	7	7	1	14
Total	33	52	-11	-19	22	33	34	54

Company	Registered office	Share of equity, %	Assets		Liabilities	
			2006	2005	2006	2005
<i>Indirectly owned</i>						
Dawson Manu.Co.	USA	45	250	366	89	135
Other			171	178	118	132
Total			421	544	207	267

SEK M	Shareholders' equity		Net sales		Profit for the year		Book value	
	2006	2005	2006	2005	2006	2005	2006	2005
<i>Indirectly owned</i>								
Dawson Manu.Co.	161	230	536	673	31	57	72	104
Other	53	47	527	420	17	13	26	17
Total	214	277	1,063	1,093	48	70	98	121

Shares and participations in associated companies

SEK M	2006	2005
Residual value, January 1	121	121
Acquisitions	6	3
Divestments	-4	-
Dividend	-34	-54
Share of profit in associated companies	22	33
Translation differences	-13	18
Residual value, December 31	98	121

Related-party transactions

SEK M	Receivables from associated companies		Liabilities to associated companies		Sales to associated companies		Operating income from associated companies	
	2006	2005	2006	2005	2006	2005	2006	2005
Dawson Manu.Co	4	0	0	0	0	0	28	5
Other associated companies	6	5	2	0	83	101	17	52
Total	10	5	2	0	83	101	45	57

Note 8

Costs distributed by cost item

SEK M	2006	2005
Costs for raw materials, components, goods for resale, packaging material and energy and transport costs	-15,086	-12,888
Remuneration to employees	-7,649	-7,024
Depreciation/amortization and impairment losses	-1,154	-846
Other external costs related to sales, administration and research and development	-1,962	-1,966
Other operating income/expenses	266	300
Share of profit in associated companies	22	33
Total	-25,563	-22,391

Note 9

Exchange-rate differences that impact operating profit

SEK M	2006	2005
Net sales	11	-10
Cost of goods sold	-1	1
Sales, administration and R&D costs	-1	
Other operating income/operating expenses	-5	-12
Total	4	-21

Note 10

Government grants

SEK M	2006	2005
Grants received	4	4
Total	4	4

Note 11

Financial income and expenses

Continuing operations

Financial income

SEK M	2006	2005
Interest income interest-bearing receivables	15	7
Exchange-rate gains, net	4	-
Total financial income	19	7

Financial expenses

Interest expenses on interest-bearing liabilities	-332	-217
Exchange-rate gains, net	-	2
Total financial expenses	-332	-215

Total financial income and expenses	-313	-208
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Discontinued operations

Total financial income and expenses	-1	-4
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Total financial income and expenses	-314	-212
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Note 12

Tax on profit for the year

SEK M	2006	2005
Continuing operations		
<i>Current tax expenses</i>		
Tax expenses for the period	-297	-281
Adjustment of tax attributable to previous years	17	-3
Total	-280	-284
<i>Deferred tax expenses</i>		
Utilization/revaluation of loss carryforwards	23	-92
Deferred tax expenses/income on changes in temporary differences	-97	49
Total	-74	-43
Other taxes	-48	-51
Total reported tax expenses for continuing operations	-402	-378
Discontinued operations		
<i>Current tax expenses</i>		
Tax expenses for the period	-16	-12
<i>Deferred tax expenses</i>		
Deferred tax expenses/income on changes in temporary differences	-9	-
Total reported tax expenses for the Group	-427	-390
<i>Tax items recorded directly against equity</i>		
Deferred tax on hedging instruments	-73	-15
<i>Reconciliation of effective tax, %</i>		
Swedish income tax	28%	28%
Effect of other tax rates for foreign subsidiaries	3%	3%
Non-deductible expenses/non-taxable revenue	1%	2%
Amortization of goodwill	3%	-1%
Discontinued operations	1%	0%
Revaluation of loss carried forward/temporary differences	-2%	-11%
Tax attributable to past years	-2%	1%
Tax rate	32%	22%
Other taxes	4%	3%
Reported effective tax for Group	36%	25%

At year-end 2006, the Group had loss carry-forwards of approximately SEK 4,300 M (3,800), of which SEK 1,100 M (900) was taken into account when calculating deferred tax. The loss carry-forwards not capitalized include cases where uncertainty exists regarding the tax value and a loss carry-forward that the tax authorities have appealed in the Administrative Court of Appeals. Of the loss carry-forwards, about SEK 189 M fall due within the next five-year period.

Note 13

Minority interest in equity and profit of subsidiaries

SEK M	Minority share in net profit for the year		Minority interest	
	2006	2005	2006	2005
Trelleborg Kunhwa Co. Ltd.	12	12	73	64
Other companies	3	4	34	8
Total	15	16	107	72

Note 14

Property, plant and equipment (PPE)

SEK M	2006	2005
Buildings	1,697	1,524
Land and land improvements	568	542
Plant and machinery	2,950	2,983
Equipment, tools, fixtures and fittings	358	367
New construction in progress and advance payments relating to PPE	435	251
Total	6,008	5,667

Depreciation of property, plant and equipment by function

SEK M	2006	2005
Cost of goods sold	-658	-611
Selling expenses	-32	-31
Administrative expenses	-46	-60
R&D costs	-31	-33
Other operating expenses	-36	-41
Total	-803	-776

Impairment loss of property, plant and equipment by function

SEK M	2006	2005
Cost of goods sold	-9	-
Other operating expenses	-72	-
Total	-81	-

Leasing agreements

The Group has entered into financial and operating lease agreements. Non-current assets held under financial 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 financial lease agreements amounted to SEK 1 M (2). Future lease payments for financial lease agreements fall due as follows:

SEK M	2006	2005
Year 1	4	1
Year 2-5	10	1
Later than 5 years	2	-

Leasing costs for assets held via operating lease agreements are classified as operating expenses, and amounted to SEK 138 M (140). Future payment commitments for non-cancelable lease agreements amounted to SEK 710 M (755) and fall due as follows:

SEK M	2006	2005
Year 1	129	119
Year 2-5	254	276
Later than 5 years	327	360

SEK M	Buildings		Land and land improvements		Plant and machinery		Equipment, tools, fixtures and fittings		New construction in progress and advance payments		Total PPE	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Accumulated cost	3,079	2,843	620	590	8,821	8,588	1,632	1,511	451	246	14,603	13,778
Accumulated depreciation	-1,048	-953	-75	-73	-5,706	-5,533	-1,267	-1,136	-11	7	-8,107	-7,688
Accumulated revaluations	48	20	34	32	14	52	2	2	-	-	98	106
Accumulated impairment losses	-382	-386	-11	-7	-179	-124	-9	-10	-5	-2	-586	-529
Residual value	1,697	1,524	568	542	2,950	2,983	358	367	435	251	6,008	5,667
Balance, January 1	1,524	1,417	542	584	2,983	2,797	367	361	251	240	5,667	5,399
Acquisitions	277	1	87	-	288	19	27	5	37	-	716	25
Capital expenditures	106	57	19	7	404	376	108	103	343	146	980	689
Capital expenditures, financial leasing	-	-	-	-	12	-	0	-	0	-	12	0
Divestments and disposals	-49	-26	-45	-47	-26	-14	-21	-2	-2	0	-143	-89
Depreciation according to plan for the year	-89	-84	-4	-3	-595	-567	-115	-122	-	-	-803	-776
Impairment losses	-	-	-	-	-79	-	-1	-	-1	-	-81	-
Reclassification	11	36	-13	-34	135	124	11	-9	-170	-153	-26	-36
Translation difference for the year	-83	123	-18	35	-172	248	-18	31	-23	18	-314	455
Residual value	1,697	1,524	568	542	2,950	2,983	358	367	435	251	6,008	5,667

The overall tax assessment value for the Group's Swedish properties amounted to SEK 466 M (502), of which buildings accounted for SEK 387 M (407).

Note 15

Intangible assets

SEK M	2006	2005
Capitalized expenditure for development work	347	311
Capitalized expenditure for IT	139	143
Concessions, patents, licenses, trademarks and similar rights	55	33
Goodwill	8,968	7,717
Market- and customer-related intangible assets	23	-
Advance payments related to intangible assets	3	4
Total	9,535	8,208

Impairment testing of goodwill

Goodwill is 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. For a more detailed presentation of the Group's business areas, see Page 12 and the subsequent pages.

The recoverable amount has been determined on the basis of calculations of value in use. These calculations are based on 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 percent. Projected future cash flows according to these assessments form the basis for the calculation. Changes in working capital and in capital expenditure requirements have been taken into account. When calculating the present value of future cash flows, a weighted average cost of capital (WACC) of 7.2 percent after tax was applied. Reconciliation was conducted against an external assessment of a reasonable cost of capital. The debt/equity ratio was assumed to be 100 percent.

These calculations indicated an impairment requirement in an amount of SEK 135 M for the Trelleborg Automotive business area. Goodwill was impaired by the equivalent amount.

The calculations indicated no need for impairment in the other business areas. A rate of growth reduced by half beyond the next five years and a discount rate of 8.2 percent would still give a satisfactory margin for the reported goodwill values.

Impairment losses on intangible assets

SEK M	2006	2005
Other operating expenses	-157	-
Total	-157	-

Goodwill by segment

SEK M	2006	2005
Trelleborg Engineered Systems	2,777	951
Trelleborg Automotive	1,441	1,677
Trelleborg Sealing Solutions	4,525	4,776
Trelleborg Wheel Systems	225	234
Discontinued operations	-	79
Total	8,968	7,717

SEK M	Internally generated intangible assets		Acquired intangible assets				Goodwill		Market- and customer-related intangible assets		Advance payments related to intangible assets		Total intangible assets	
	Capitalized expenditure for development work	Capitalized expenditure for IT	Capitalized expenditure for IT	Concessions, patents and licenses	Goodwill	Market- and customer-related intangible assets	Advance payments related to intangible assets	Total intangible assets	2006	2005	2006	2005	2006	2005
Accumulated cost	456	355	342	281	273	139	8,968	7,717	24	-	4	5	10,067	8,497
Accumulated amortization according to plan	-109	-44	-203	-136	-218	-106	-	-	-1	-	-1	-1	-532	-287
Accumulated impairment losses	-	-	0	-2	-	-	-	-	-	-	-	-	0	-2
Residual value	347	311	139	143	55	33	8,968	7,717	23	-	3	4	9,535	8,208
Balance, January 1	311	177	143	100	33	26	7,717	6,876	-	-	4	1	8,208	7,180
Acquisitions	0	-	2	-	29	14	1,967	315	25	-	-	1	2,023	330
Capital expenditures	104	155	27	28	1	0	-	-	-	-	0	1	132	184
Divestments and disposals	-	-	-3	-	-	-	-75	-	-	-	-	-	-78	0
Amortization according to plan for the year	-57	-31	-46	-24	-10	-10	-	-	-1	-	-	-	-114	-65
Impairment losses	-	-	-	-	-	-	-157	-	-	-	-	-	-157	0
Reclassification	2	-	20	34	5	1	0	-	-	-	-1	1	26	36
Translation difference for the year	-13	10	-4	5	-3	2	-484	526	-1	-	0	0	-505	543
Residual value	347	311	139	143	55	33	8,968	7,717	23	-	3	4	9,535	8,208
Split of amortization for the year	0	0	-5	-3	-2	-3	-	-	0	-	-	-	-7	-6
Cost of goods sold	-1	-1	-12	-1	-6	-3	-	-	-1	-	-	-	-20	-5
Selling expenses	-2	0	-28	-19	-2	-4	-	-	-	-	-	-	-32	-23
R&D costs	-54	-30	0	0	-	-	-	-	-	-	-	-	-54	-30
Other operating expenses	0	0	-1	-1	-	-	-	-	-	-	-	-	-1	-1
Total depreciation	-57	-31	-46	-24	-10	-10	-	-	-1	-	-	-	-114	-65

Note 16

Financial non-current assets

SEK M	2006	2005
Other shares (note 18)	12	5
Receivables, associated companies	-	2
Plan assets	16	16
Financial assets at fair value through profit or loss	1	3
Loan receivable	29	-
Derivative instrument (note 24)	23	-
Other non-current assets	13	7
Total	94	33

Residual value corresponds to fair value.

The loan receivable is a receivable that arose in connection with the sale of the operations of Goodall Rubber Company. The receivable is in USD and bears an effective interest rate of 6 percent.

The loan is repaid on a quarterly basis in an amount of USD 300,000 per quarter. Repayments of SEK 8 M for 2007 were recorded as a current loan receivable, see note 23.

Note 17

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

Company	Registration Number	Domicile	No. of shares	Ownership	Book value, SEK M
AVS Brasil Getoflex Ltda		Brazil	48,214,016	100	0
Busak and Shamban Belgium SA		Belgium	99	100	51
Trelleborg do Brasil Soluções em Vedação 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	100	1
Busak and Shamban Hankuk Ltd		South Korea	57,750	75	4
Busak and Shamban Japan KK		Japan	133	100	99
Trelleborg Sealing Solutions Polska Sp.zo.o		Poland	12,800	100	6
Busak and Shamban Suomi Oy		Finland	15	100	75
Busak and Shamban Suisse SA		Switzerland	1,000	100	47
Busak and Shamban Sverige AB	556204-8370	Jönköping	2,500	100	167
Trebolit AB	556054-1533	Trelleborg	60,000	100	75
Busak and Shamban Österreich GmbH		Austria	0	100	28
Chemtrading Alpha Holding AG		Switzerland	100	100	3
Gromedi Oy		Finland	13	100	78
Mar-Con Polymers Ltd Oy		Finland	100	100	125
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.zo.o		Poland	350	100	114
Trelleborg Automotive S.R.L		Romania	100	100	2
Trelleborg Automotive Slovakia s.r.o.		Slovakia	0	100	8
Trelleborg Engineered Systems Lithuania UAB		Lithuania	2,600	100	6
Trelleborg Corporation		USA	2,592	100	1,911
Trelleborg Sealing Solutions US, Inc		USA	7,425	100	
Trelleborg CRP Inc		USA	1,000	100	
Trelleborg Wheel Systems Americas Inc		USA	1,000	100	
Trelleborg YSH Inc		USA	100,000	100	
Trelleborg YSH SA de CV		Mexico	108,963,372	100	
Trelleborg Engineered Systems China Holding AB	556223-5910	Trelleborg	1,000	100	10
Trelleborg Engineered Systems Group AB	556055-7711	Trelleborg	1,250	100	3
Trelleborg Fluid Solutions Czech Republic s.r.o.		Czech Republic	0	100	78
Trelleborg Gummi AG		Czech Republic	50	100	0
Trelleborg Holding AB	556212-8255	Trelleborg	1,000	100	741
Trelleborg Building Systems AB	556026-2148	Trelleborg	12,000	100	
Trelleborg Forsheda Building Systems AB	556053-5832	Bor	10,000	100	
Trelleborg Industrial AVS AB	556020-5862	Södertälje	500	100	
Trelleborg Ibercaucho Alava SA		Spain	998,337	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	80
Busak and Shamban France SAS		France	8,427	100	
Trelleborg Industrie SA		France	649,794	100	
Trelleborg Reims SAS		France	100,200	100	
Trelleborg Nantes SAS		France	13,700	100	
Trelleborg Kunhwa Co Ltd		Korea	3,570,000	51	
Trelleborg Modyn SAS		France	720,000	100	

Company	Registration Number	Domicile	No. of shares	Ownership	Book value, SEK M
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	2,987
Trelleborg Sealing Solutions UK Ltd		UK	10,050,000	100	
Trelleborg Automotive (UK) Ltd		UK	100	100	
Trelleborg CRP Ltd		UK	41,590	100	
Trelleborg Hong Kong Holdings Ltd		China	10,000	100	61
Trelleborg Industrie 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	3,000
Trelleborg Forsheda Netherlands BV		Netherlands	30,000	100	
Trelleborg Sealing Solutions Malta Ltd		Malta	482,263	100	
Trelleborg Wheel Systems Spa		Italy	200,000	100	
Trelleborg Automotive Germany GmbH		Germany	2	100	
Busak and Shamban Deutschland GmbH		Germany	1	100	
Trelleborg Fluid Solutions Germany GmbH		Germany	2	100	
Trelleborg Wheel Systems GmbH		Germany	2	100	
Trelleborg Wheel Systems Belgium NV		Belgium	11,075,113	100	
Trelleborg Lanka (Pvt) Ltd		Sri Lanka	4,014,737	100	
Trelleborg Lesina s.r.o.		Czech Republic	0	100	7
Trelleborg Protective Products AB	556010-7145	Trelleborg	100,000	100	26
Trelleborg Treasury AB	556064-2646	Stockholm	5,000	100	15,001
Trelleborg Wheels AB	556056-2620	Sävsjö	40,000	100	10
Trelleborg Wuxi Holding AB	556119-8820	Trelleborg	25,000	100	82
Trelleborg Rubore AB	556325-7442	Kalmar	60,000	100	200
MHT Takentrepören i Malmö AB	556054-9759	Malmö	100,000	100	0
TSS China Holding AB	556030-7398	Trelleborg	200,000	100	43
TSS Holdings Sweden AB	556528-2737	Forsheda	2,501,000	100	157
Trelleborg Forsheda Sweden AB	556052-2996	Forsheda	8,640,000	100	
Velox AB	556000-4110	Trelleborg	1,000	100	6
Total, Parent Company					26,509

* 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 Swedish Companies Registration Office.

Note 18

Other shares

SEK M	2006	2005
Cost, January 1	5	5
Acquisitions	7	-
Cost, December 31	12	5
Book value at year-end	12	5
Of which Swedish shares	1	1
Foreign shares	11	4

The book value equals fair value.

Note 19

Deferred tax asset/tax liabilities

SEK M	2006			2005		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	4	205	-201	2	108	-106
Land and buildings	116	173	-58	110	100	10
Machinery and equipment	179	269	-90	174	202	-28
Financial non-current assets	7	29	-22	4	9	-5
Inventories	76	7	69	75	4	71
Current receivables	17	4	13	15	4	11
Pension provisions	118	2	116	130	5	125
Other provisions	34	0	34	26	0	26
Non-current liabilities	64	1	63	49	0	49
Current liabilities	127	8	119	140	3	137
Loss carryforwards	344	13	331	343		343
Total	1,085	711	374	1,068	435	633
Offsetting of assets/liabilities	-252	-252		-286	-286	
Total	833	459		782	149	

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

Change in deferred tax on temporary differences and loss carryforwards

SEK M	Balance, January 1		Recorded via income statement		Recorded directly against shareholders' equity		Acquired/divested tax assets/liabilities		Translation differences		Balance, December 31	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
Intangible assets	-106	-55	-16	-48			-84		5	-3	-201	-106
Land and buildings	10	63	-18	-55			-48		-1	2	-58	10
Machinery and equipment	-28	-44	-69	27			-4		11	-11	-90	-28
Financial non-current assets	-5	71	43	29	-54	-101	-6			-4	-22	-5
Inventories	71	47	8	19			-4		-6	5	69	71
Current receivables	11	7	-94	159	95	-157	1			2	13	11
Pension provisions	125	111	-4	-4	1			11	-6	7	116	125
Other provisions	26	82	11	-59	-1				-2	3	34	26
Non-current liabilities	49	-146	11	-11		199	10		-7	7	63	49
Current liabilities	137	88	22	-8	-43	44	13		-10	13	119	137
Loss carryforwards	343	403	23	-92			-6		-29	32	331	343
Total	632	627	-83	-43	-2	-15	-128	11	-45	53	374	633

Note 20

Inventories

SEK M	2006	2005
Raw materials and consumables	1,193	903
Work in progress	510	366
Finished products and goods for resale	1,881	1,988
Contracted work in progress	9	5
Advances to suppliers	11	13
Total	3,604	3,275

Write-down of obsolete inventories amounted to SEK 254 M (241).

Note 21

Current operating receivables

SEK M	2006	2005
Accounts receivable	5,368	4,843
Provision for bad debts	-90	-99
Bills receivable	40	48
Operating receivables, associated companies	9	2
Other current receivables	437	350
Derivates (Note 24)	10	148
Prepaid expenses and accrued income (Note 22)	544	440
Total	6,318	5,732

of which, expected to be recovered after 12 months but within 5 years

SEK M	2006	2005
Other current receivables	0	1
Prepaid expenses and accrued income	2	8
Total	2	9

Of which, expected to be recovered after 5 years

SEK M	2006	2005
Other current receivables	3	0
Prepaid expenses and accrued income	2	0
Total	5	0

The receivables are recorded in amounts that correspond to fair value.

Note 22

Prepaid expenses and accrued income

SEK M	2006	2005
Interest	1	1
Pension costs	8	11
Tools	238	243
Other	297	185
Total	544	440

Note 23

Interest-bearing receivables

SEK M	2006	2005
Interest-bearing receivables	2	2
Loan receivable	8	-
Derivative instruments (Note 24)	73	42
Other financial assets at fair value through profit or loss	5	49
Total	88	93

The reported amounts represent an accurate estimation of their fair value. The loan receivable pertains to the receivable that arose in connection with the sale of operations of Goodall Rubber Company, see note 16.

Note 24

Financial derivative instruments

Derivative instruments are used mainly to hedge against the Group's exposure to 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 table below shows where the Group's financial derivative instruments are recorded in the balance sheet.

Specification of derivatives in the balance sheet, SEK M	2006	2005
Financial non-current assets	23	-
Current operating receivables included in working capital	8	-
Other current operating receivables	10	148
Interest-bearing receivables	73	42
Total receivables, financial derivatives	114	190
Current operating liabilities included in working capital	7	12
Other current operating liabilities	26	125
Interest-bearing liabilities	54	159
Total liabilities, financial derivatives	87	296

Type and purpose of Group's financial derivative instruments	2006		2005	
	Assets Fair value	Liabilities Fair value	Assets Fair value	Liabilities Fair value
Interest-rate swaps – cash flow hedging	24	22	78	58
Interest-rate options – cash flow hedging	2	-	-	-
Foreign-exchange forwards/ currency options – cash flow hedging	8	7	24	37
Foreign-exchange forwards – held for trading	6	4	34	21
Interest-rate instruments – held for trading	1	2	-	-
Foreign-exchange forwards – net investment hedging	38	1	23	-
Currency options – net investment hedging	29	-	-	140
Foreign-exchange forwards – financing of subsidiaries	6	51	31	40
Total	114	87	190	296

The nominal amount of outstanding interest-rate swaps totaled SEK 2,991 M (5,678).

Derivatives with hedge accounting

Cash flow hedging – Interest-rate swaps

In the closing balance of the hedging reserve in shareholders' equity, SEK 22 M before tax related to the fair value of interest-rate swaps.

At unchanged interest and exchange rates, the bulk of this value will improve earnings in 2007.

Cash flow hedges – forward currency contracts and currency options

The fair value closing balance of cash flow hedges relating to forward currency contracts and currency options recorded in the hedging reserve amounted to a net of SEK 0 M.

At unchanged exchange rates, cash flow hedges to which hedge accounting is applied will not affect future operating earnings.

Note 25

Cash and cash equivalents

The Group's cash and cash equivalents amounted to SEK 616 M (663), of which SEK 28 M (10) comprise current bank investments with maturity terms of less than three months from dates of acquisition. The effective interest rate for bank investments was 2.42 percent.

At year-end, the maximum exposure to credit risk amounted to SEK 734 M, of which SEK 552 M is invested in banks and credit institutes with a current rating of at least P1 according to Moody or A1 according to Standard & Poor. SEK 182 M is invested with 26 other parties that do not achieve this rating. Of these investments, SEK 145 M is attributable to countries where legal restrictions prevent a centralized management of cash and cash equivalents, and the remaining SEK 37 M comprises a loan receivable that arose in connection with the sale of operations of Goodall Rubber, see note 16.

Note 26

Equity

SEK M	Hedging reserve		Translation reserve		Total	
	2006	2005	2006	2005	2006	2005
Opening balance, translation differences	5	-	596	-183	601	-183
Cash flow hedging	-	-	-	-	-	-
Adjustment of opening balance in accordance with IAS 39.	-	27	-	-	0	27
Tax on adjustment of opening balance in accordance with IAS 39.	-	-8	-	-	0	-8
Fair value	12	1	-	-	12	1
Tax on fair value	-3	-	-	-	-3	0
Transfers to income statement	1	-21	-	-	1	-21
Tax on transfers to income statement	0	6	-	-	0	6
Translation differences	-	-	-905	1,008	-905	1,008
Hedging of net investment after tax	-	-	180	-229	180	-229
Closing balance	15	5	-129	596	-114	601

Accumulated translation differences are recorded from Jan 1, 2004.

The Board of Directors and President propose a dividend of SEK 6.00 (5.50) per share, totaling approximately SEK 542 M (497).

Trelleborg AB's share capital at December 31, 2006 amounted to SEK 2,258,931,525, being 90,357,261 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	10.51	95,000,000	54.02
Series B	80,857,261	89.49	80,857,261	45.98
Total	90,357,261	100.00	175,857,261	100.00

Change in total number of shares	2006	2005
January 1	95,980,361	95,980,361
Cancellation of treasury shares	-5,623,100	-
December 31	90,357,261	95,980,361

Change in number of treasury shares	2006	2005
January 1	5,623,100	6,263,100
Exercise of call options	-	-640,000
Cancellation of treasury shares	-5,623,100	-
December 31	0	5,623,100

Number of shares at year-end, excluding treasury shares	90,357,261	90,357,261
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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 (14,000) 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.

Note 27

Interest-bearing liabilities

Non-current interest-bearing liabilities

SEK M	2006	2005
Liabilities to credit institutions	6,848	5,880
Other interest-bearing liabilities	11	11
Total	6,859	5,891

Current interest-bearing liabilities

SEK M	2006	2005
Liabilities to credit institutions	3,015	1,633
Bank overdraft facilities	150	311
Other interest-bearing liabilities	6	3
Derivative financial instruments (Note 24)	54	159
Total	3,225	2,106
Total interest-bearing liabilities	10,084	7,997

Book value equals fair value.

Bank overdraft facilities

SEK M	2006	2005
Credit limit approved	1,545	1,393
Of which utilized	150	311
Unutilized portion	1,395	1,082

The Group's outstanding interest-bearing liabilities at year-end, 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	
	2006	2005	2006	2005	2006	2005
SEK	1,967	318	3.1	3.0	114	209
USD	1,829	1,573	4.2	3.2	77	175
EUR	4,788	4,728	3.5	2.7	282	348
GBP	924	868	5.5	4.5	42	208
Other	576	510	3.8	4.0	37	67
Total	10,084	7,997	3.7	3.1	176	275

The Group's approved overdraft facilities

	2006		2005	
	Volume, SEK M	Expires, year	Volume, SEK M	Expires, year
Non-current				
Syndicated loan, EUR 750 M	6,794	2010	7,079	2010
Syndicated loan, USD 600 M	4,124	2010	4,772	2010
Bond loan, EUR 40 M	362	2011	378	2011
Bond loan, SEK 300 M	300	2009	-	-
Bond loan, SEK 100 M	100	2008	-	-
Bond loan, SEK 100 M	100	2008	-	-
Bond loan, SEK 100 M	100	2008	-	-
Bond loan, SEK 100 M	100	2008	-	-
Bilateral loan, EUR 30 M	272	2012	-	-
Current				
Bond loan, SEK 130 M	130	2007	130	2007
Commercial paper program*	2,262	2007	1,574	2006
Overdraft facilities	1,545	2007	1,393	2006
Other current loans	32	2007	120	2006
Total	16,221		15,446	

The Group's current, non-committed credit lines amounted to approximately SEK 2,353 M at year-end 2006. 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 2006, there was a secure margin for both.

* Shows amount utilized at year-end.

Note 28

Non interest-bearing liabilities
Other non-current liabilities

SEK M	2006	2005
Other non interest-bearing liabilities	41	43
Total	41	43

Other current liabilities

SEK M	2006	2005
Advance payment from customers	290	41
Accounts payable	3,470	3,012
Bills payable	8	13
Liability to associated company	2	0
Other non interest-bearing liabilities	400	370
Current liability to former minority shareholder in Wuxi	13	126
Derivative financial instruments (Note 24)	26	125
Accrued expenses and prepaid income (Note 31)	1,421	1,278
Total	5,630	4,965
Total non interest-bearing liabilities	5,671	5,008
Expected to be paid after 12 months but within five years: Accrued expenses and prepaid income	0	1
Total	0	1

Book value equals fair value.

Note 29

Pension provisions and similar
Specification of costs

SEK M	2006	2005
Cost of defined-benefit plans		
Costs for services during current year	57	59
Interest on the obligation	68	66
Anticipated return on plan assets	-38	-26
Actuarial gains and losses reported for the year	-6	2
Curtailment and settlement losses	0	-6
Total cost of defined-benefit plans	81	95
Cost of defined-contribution plans	155	156
Total pension costs	236	251

Actual return on plan assets amounts to SEK 46 M (30).

Change in pension liability in balance sheet

SEK M	Defined-benefit plans	
	2006	2005
Opening balance	814	776
Net expenses recorded in the income statement	81	95
Benefit payments	-135	-139
Increase attributable to acquisitions	87	39
Other changes	-20	-
Translation difference	-37	43
Closing balance	790	814
of which, unfunded obligations	685	705
of which, funded obligations	105	109

Specification of pension liability in the balance sheet

SEK M	2006	2005
Defined-benefit plans		
Present value of funded obligations	1,646	1,504
Fair value of plan assets	-810	-563
	836	941
Unrecorded actuarial gains	28	28
Unrecorded actuarial losses	-74	-155
Total defined-benefit plans	790	814
Defined-contribution plans	13	12
Total pension liability	803	826
of which reported as plan assets	16	16
Closing balance, pension liability	819	842

Important actuarial assumptions

on the balance sheet date, %	UK	US	France	Germany	Italy	Nether-lands	Sweden	Norway	Japan
Discount rate at December 31	5.10	5.70	4.50	4.10	4.25	3.85	3.70	4.20	2.00
Anticipated return on pension plan assets at December 31	6.12	7.10	-	-	-	3.85	3.60	5.40	-
Inflation	3.20	2.50	2.00	2.00	2.00	2.00	2.00	2.25	0.70
Future annual wage increases	3.60	3.50	3.00	2.50	3.00	3.00	3.00	3.25	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 2006 financial year, the company did not have access to such information that would enable the company to record this plan as a defined-benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is recorded as a defined-contribution plan. The year's contributions for pension insurance taken out with Alecta total SEK 22 M (21). Alecta's surplus can be distributed to the policyholders and/or the insured. At December 31, 2006, Alecta's surplus corresponded to a collective consolidation ratio of 144 percent (128.5). The collective consolidation ratio reflects the market value of Alecta's assets as a percentage of insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not correspond with IAS 19.

Note 30

Other provisions

SEK M	Restructuring programs		Other provisions		Total	
	2006	2005	2006	2005	2006	2005
Opening balance	68	157	352	373	420	530
Reclassification	14		-12		2	0
Reversals		-15	-18	-11	-18	-26
Provisions for the year	92		121	122	213	122
Acquisitions			45		45	0
Utilized during the year	-59	-76	-207	-150	-266	-226
Translation difference	-2	2	-8	18	-10	20
Closing balance	113	68	273	352	386	420
Of which, non-current provisions					202	242
Of which, current provisions					184	178
Of which, provisions for environmental commitments					64	25

Provisions for restructuring programs relate to the following restructuring programs:

Closure of the anti-vibration operation in Trowbridge, in the UK.

Rationalizations within Fluid and Acoustics in Mannheim, Germany.

Relocation of production of industrial tires from the US to Sri Lanka.

Relocation of manufacturing of protective products from Ystad, Sweden to Lithuania.

Remaining commitments in conjunction with the closure of tire manufacturing in Trelleborg.

Other provisions pertain to:

In addition to environmental commitments, these relate to provisions of varying sizes in a number of units and include guarantee provisions, insurance obligations and lease agreements for properties not in use.

Note 31

Accrued expenses and prepaid income

SEK M	2006	2005
Interest	74	62
Wages and salaries	525	482
Payroll overheads	178	148
Tools	31	40
Derivative financial instruments (Note 24)	7	12
Other	606	534
Total	1,421	1,278

Note 32

Contingent liabilities and pledged assets

SEK M	2006	2005
<i>Contingent liabilities</i>		
Pension obligations	7	8
Guarantees and other contingent liabilities	10	203
Total	17	211
<i>Pledged assets</i>		
Plants and machinery	41	44
Total	41	44

Liabilities are recorded at amounts that equal fair value.

Note 33

Acquired and discontinued operations

Acquisitions

During the year, 11 acquisitions were made, for further information, see pages 26-27.

Trelleborg Engineered Systems acquired:

Remaining 70 percent of ECS in the Czech Republic, CRP Group with operations in the US and the UK, the operation in EPG Inc. in the US, Harbour Marine Engineering in Australia, Mar-Con Group in Finland, UAB Trella in Lithuania, the operation in Kawneer Rubber & Plastics in the US, Mehren Rubber A/S in Norway, Reeves Group with operations in the US, Italy and China, Hetag Tagmateriale A/S in Denmark and Hunter Diving in the UK.

SEK M	2006				2005			
	CRP	Reeves	Other					
Purchase price	936	1,319	805			366		
Direct costs related to acquisitions	20	14	1			2		
Fair value of acquired net assets	276	530	307			77		
Goodwill	680	803	499			291		
Acquired assets and liabilities:	Fair value	Carrying amount in acquired unit	Fair value	Carrying amount in acquired unit	Fair value	Carrying amount in acquired unit	Fair value	Carrying amount in acquired unit
Property, plant and equipment	185	185	438	308	100	95	25	25
Intangible assets	2	2	52	52			15	15
Deferred tax	18	18	20	20			11	11
Associated companies					-1	-1	3	3
Other shares			7	7			0	0
Operating assets	383	383	552	536	173	173	86	86
Cash and cash equivalents	20	20	60	60	71	71	11	11
Minority shareholdings			-27	-27	102	102	0	0
Operating liabilities	-312	-312	-512	-512	-67	-67	-63	-63
	296	296	590	444	378	373	88	88
Of which, cash and cash equivalents in acquired units	-20		-60		-71		-11	
Total	276		530		307		77	
Net profit since date of acquisition	115		-1		31			
Net profit in acquired units January – December	115		15		55			

The recorded purchase price comprises the acquisition price, including net borrowings assumed at the date of acquisition.

Goodwill relates to the acquisition of market positions and earnings capacity, whereby the specific value of another asset could not be identified.

The recorded goodwill in connection with the acquisition of Reeves, SEK 803 M, relates to the total surplus value of intangible assets. Following finalization of a complete acquisition analysis, this amount will be reallocated in 2007.

Discontinued operations

SEK M	2006	2005
<i>Sale of operation in Goodall Rubber Company, US:</i>		
Operating profit in Goodall	25	41
Capital loss in connection with divestment	-76	
Reversal of guarantee provision Bröderna Edstrand	80	
Operating profit	29	41
Net financial expenses attributable to discontinued operation in Goodall	-1	-4
Profit before tax	28	37
Tax	-25	-12
Net profit	3	25

The guarantee provision relating to Bröderna Edstrand involves a commitment entered into in conjunction with the sale of Trenor AB (which included Bröderna Edstrand)

Note 34

Events after year-end

Acquisitions

In January 2007, the Trelleborg Engineered Systems business area acquired Epros GmbH and Epros International Ltd., with annual sales totaling approximately SEK 90 M and some 30 employees. Epros is a niche leader in the after-market for pipe systems, specializing in trenchless repairs. The purchase price amounted to approximately SEK 100 M, including assumed net borrowings, and generates goodwill totaling approximately SEK 75 M.

Property sale

In January 2007, Trelleborg signed an agreement with Skanska concerning the sale of land in Södra Hammarbyhamnen in Stockholm, Sweden. The purchase price is SEK 330 M and is based on the estimated development rate. At transfer, a payment of SEK 100 M will be made and when detailed development plans gain legal approval, an additional purchase payment will be made, which will vary depending on the development level. The carrying value of the property amounts to about SEK 80 M and will result in a capital gain of approximately SEK 20 M. This will be recorded in the first quarter of 2007. The additional purchase price will be reported when the detailed development plan is complete.

Closure of production plant

In February 2007, it was announced that an additional plant would be closed in West Thurrock, in the UK, within the framework of the restructuring program for Trelleborg Automotive. The operation in West Thurrock is included in the Fluid & Acoustic Solutions business unit and manufactures polymer automotive components. The bulk of production is expected to be moved to the business unit's other plants in Europe. Production in West Thurrock is expected to continue until year-end 2007 and costs of the closure of the plant are expected to total approximately SEK 140 M before tax, most of which will affect cash flow mainly during 2007-2009. The positive earnings effect is estimated at about SEK 45 M before tax on a yearly basis, with full impact from 2008.

Note 35

Employees and employee benefits in parent company

Average number of employees

	2006			2005		
	Women	Men	Total	Women	Men	Total
Sweden	36	43	79	35	40	75

Absence due to illness

	2006	2005
Absence due to illness as a percentage of normal working hours for		
- women	3.4	1.2
- men	0.2	0.5
- employees under age 30	0.5	0.3
- employees age 30-49	0.8	0.6
- employees age 49-	3.8	1.4
- all employees	1.7	0.8

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

	36.8	-
--	------	---

Gender distribution in executive management positions, %

	2006	2005
Percentage of women in		
- executive positions	22	20
- on Board of Directors	18	18

Fixed and variable employee benefits, other remuneration and social security expenses

2006

SEK M	Board, President and Executive Vice Presidents	Other members of Group Management	Other employees	Total salaries	Social security expenses	of which, pension costs
Sweden	12	13	43	68	42	16

See also Note 3.

2005

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

See also Note 3.

Note 36

Auditors' remuneration

SEK M	2006	2005
PricewaterhouseCoopers		
Audit assignment	5	2
Other assignments	3	4
Total	8	6

Note 37

Other operating income and expenses

SEK M	2006	2005
Sales of services to other Group companies	230	125
Sales of external services	3	3
Other	5	83
Total other operating revenue	238	211
Other	-1	-1
Total other operating expenses	-1	-1
Total	237	210

Note 38

Costs distributed by cost item

SEK M	2006	2005
Employee benefits	-110	-113
Depreciation/amortization and impairment losses	-5	-3
Other external administration costs	-200	-211
Other operating income/expenses	240	210
Total	-75	-117

Note 39

Exchange-rate differences that impact operating profit

SEK M	2006	2005
Administration costs	-1	-2
Other operating income/expenses	1	2
Total	0	0

Note 40

Depreciation of PPE and amortization of intangible assets

SEK M	2006	2005
Buildings	0	0
Equipment, tools, fixtures and fittings	-2	-3
Expensed costs for R&D and similar	-	0
Total	-2	-3

Note 41

Financial income and expenses

SEK M	2006	2005
<i>Income from investments in Group companies</i>		
Dividend	637	334
Impairment losses on shares in subsidiaries	-94	-797
Gain/loss from winding-up of subsidiary	111	0
Total	654	-463
<i>Gain/loss from other securities and receivables that are non-current assets</i>		
Interest income, Group companies	-	51
Interest income, other	0	-
Exchange-rate differences	26	12
Total	26	63
<i>Other interest income and similar profit/loss items</i>		
Interest income, Group companies	204	285
Interest income, other	0	3
Exchange-rate differences	0	180
Total	204	468
<i>Interest expenses and similar profit/loss items</i>		
Interest expenses, Group companies	-787	-558
Interest expenses, other	-	-59
Exchange-rate differences	-	-207
Total	-787	-824
Total financial income and expenses	97	-756

Note 42

Tax on profit for the year

SEK M	2006	2005
<i>Current tax expenses</i>		
Tax expenses for the period	-1	-1
Adjustment of tax attributable to previous years	-	-1
Total	-1	-2
<i>Deferred tax expenses (-)/revenue (+)</i>		
Change in loss carryforwards	267	-54
Revaluation of loss carryforwards	22	84
Deferred tax expenses/revenue on changes in temporary differences	-95	158
Total	194	188
Total reported tax expenses/revenue	193	186
<i>Reconciliation of tax</i>		
Profit/loss before tax	22	-873
Calculated Swedish income tax, 28%	-6	244
Non-taxable dividends/income from shares in subsidiaries	209	94
Non-deductible impairment losses	-26	-223
Other non-deductible expenses/non-taxable revenue	-5	-5
Revaluation of loss carryforwards	22	84
Tax attributable to prior years	0	-7
Other tax	-1	-1
Total reported tax expenses/revenue	193	186
<i>Tax items reported directly against shareholders' equity</i>		
Deferred tax on adjustment of equity on January 1 in accordance with IAS 39	-	-74
Deferred tax on fair-value gains	56	-45
Deferred tax on Group contributions granted/received	-297	-85

Trelleborg had loss carryforwards that were not recognized when calculating deferred tax since the Swedish tax authorities contested an amount of SEK 600 M in the Administrative Court of Appeals.

Note 43

Property, plant and equipment

SEK M	2006	2005
Buildings	-	3
Equipment, tools, fixtures and fittings	7	8
Total	7	11

SEK M	Buildings		Equipment, tools, fixtures and fittings		Total PPE	
	2006	2005	2006	2005	2006	2005
<i>Accumulated cost</i>						
Balance, January 1	4	4	19	25	23	29
Capital expenditures	-	-	1	3	1	3
Divestments and disposals	-4	-	0	-9	-4	-9
Accumulated cost, December 31	-	4	20	19	20	23
<i>Accumulated depreciation according to plan</i>						
Balance, January 1	-1	-1	-11	-17	-12	-18
Divestments and disposals	1	-	0	9	1	9
Depreciation according to plan for the year	0	0	-2	-3	-2	-3
Accumulated depreciation according to plan, December 31	-	-1	-13	-11	-13	-12
Planned residual value, December 31	-	3	7	8	7	11
Tax assessment values, buildings	-	2				
Tax assessment values, land	-	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 4 M (7). Future payment for non-cancelable lease commitments amount to SEK 9 M (15) and fall due as follows:

SEK M	2006	2005
Year 1	7	7
Year 2-5	2	8

Note 44

Intangible assets

SEK M	2006	2005
Capitalized expenditure for development work	10	10
Total	10	10

SEK M	Capitalized expenditure for development work and the equivalent	
	2006	2005
<i>Accumulated acquisition value</i>		
Balance, January 1	10	-
Capital expenditures	3	10
Divestments and disposals	-3	-
Accumulated acquisition value, December 31	10	10
<i>Accumulated amortization according to plan</i>		
Balance, January 1	0	-
Divestments and disposals	0	-
Amortization according to plan for the year	-	0
Accumulated amortization according to plan, December 31	-	0
Residual value, December 31	10	10

Note 45

Financial non-current assets

SEK M	2006	2005
Shares in Group companies (Note 17 and Note 46)	26,509	23,722
Changes in Group companies	1,911	2,939
Shares in other companies	0	0
Total	28,420	26,661

Note 46

Shares in Group companies

SEK M	2006	2005
Balance, January 1	23,722	9,293
<i>Add:</i>		
Acquisitions	512	114
Shareholders' contribution	2,805	15,000
New share issue	-	112
<i>Less:</i>		
Divestment	-436	0
Impairment losses	-94	-797
Balance, December 31	26,509	23,722

See also Note 17.

During the year, a dividend was received from the wholly owned subsidiary Trelleborg International BV in the form of shares in Trelleborg Treasury AB (publ). In conjunction with the dividend, the residual value of Trelleborg International BV was impaired by the equivalent amount.

Note 47

Change in deferred tax on temporary differences and loss carryforwards

SEK M	Loss carryforwards		Temporary differences:		Current liabilities		Total deferred tax receivable	
	2006	2005	2006	2005	2006	2005	2006	2005
Balance, January 1	8	63			39		47	63
Reported over income statement:								
- Change in loss carryforwards	267	-54					267	-54
- Revaluation of loss carryforwards	22	84					22	84
- Temporary differences			-95	-4		162	-95	158
Recorded directly against equity:								
- Deferred tax on adjustment of equity on January 1 in accordance with IAS 39				100		-174		-74
- Deferred tax on fair-value gains			95	-96	-39	51	56	-45
- Tax on Group contributions received/granted	-297	-85					-297	-85
	-	8	-	-	-	39	-	47

See also Note 42.

Note 48

Inventories

SEK M	2006	2005
Finished products and goods for resale	-	1

Note 49

Current receivables

SEK M	2006	2005
Accounts receivable	-	0
Operating receivables, Group companies	28	8
Other current receivables	37	14
Prepaid expenses and accrued income (Note 50)	15	17
Total accounts receivable and other receivables	80	39

Book value equals fair value.

Note 50

Prepaid expenses and accrued income

SEK M	2006	2005
Interest and other financial items	0	0
Other	15	17
Total	15	17

Note 51

Interest-bearing receivables

SEK M	2006	2005
Financial receivables, Group companies	1,906	1,324
Total interest-bearing receivables	1,906	1,324

Book value equals fair value.

Note 52

Shareholders' equity

SEK M	Restricted equity		Non-restricted equity		Total	
	2006	2005	2006	2005	2006	2005
Opening balance, January 1	3,530	3,530	3,733	4,271	7,263	7,801
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:						
Reduction of shareholders' equity through cancellation of treasury shares	-141		141			
Dividend			-497	-452	-497	-452
Fair-value gains			-201	159	-201	159
Tax on fair-value gains			56	-45	56	-45
Divestment of own shares at exercise of call options				78		78
Group contributions			1,062	304	1,062	304
Tax on Group contributions			-297	-85	-297	-85
Net profit/loss for the year			215	-687	215	-687
Closing balance, December 31	3,389	3,530	4,212	3,733	7,601	7,263

Trelleborg AB's share capital at December 31, 2006 amounted to SEK 2,258,931,525, split into 90,357,261 shares with a par value of SEK 25 each. At January 1, 2006, Trelleborg AB held 5,623,100 treasury shares, which were canceled during the year resulting in a reduction in share capital of SEK 140,577,500.

Class of shares	No of shares	% of total	No of shares	% of total
Series A	9,500,000	10.51	95,000,000	54.02
Series B	80,857,261	89.49	80,857,261	45.98
Total	90,357,261	100.00	175,857,261	100.00

See also Note 26.

Note 53

Provisions for pensions and similar

SEK M	2006	2005
Provisions for pensions	4	4
Total	4	4

Pensions and similar costs amounted to SEK 16 M (17)

Note 54

Other provisions

SEK M	2006	2005
Provisions for environmental commitments	-	2
Provisions for contract obligations	4	8
Provisions for settlement of group lawsuit with regard to Boliden	-	8
Total	4	18

Of which SEK 4 M (14) is reported as a current provision.

Note 55

Interest-bearing liabilities

Interest-bearing non-current liabilities

SEK M	2006	2005
Other interest-bearing liabilities to Group companies	121	361
Total non-current interest-bearing liabilities	121	361

Interest-bearing current liabilities

SEK M	2006	2005
Other interest-bearing liabilities to Group companies	22,623	20,332
Total interest-bearing current liabilities	22,623	20,332
Total interest-bearing liabilities	22,744	20,693

Liabilities are recorded at amounts corresponding to fair value.

Note 56

Other current liabilities

SEK M	2006	2005
Accounts payable	23	28
Operating liabilities, Group companies	1	0
Other non interest-bearing liabilities	6	46
Accrued expenses and prepaid income (Note 57)	40	41
Total non interest-bearing current liabilities	70	115

Liabilities are recorded at amounts corresponding to fair value.

Note 57

Accrued expenses and prepaid income

SEK M	2006	2005
Interest and other financial items	0	0
Wages and salaries	15	18
Payroll overheads	5	7
Severance pay	6	0
Other	14	16
Total	40	41

Note 58

Contingent liabilities and pledged assets

SEK M	2006	2005
Contingent liabilities		
Pension obligations	1	1
Guarantees and other contingent liabilities	379	725
Total	380	726
Of which, on behalf of subsidiaries	376	533
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	3,996,750
and the result for the year, SEK 000s	215,553
Total, SEK 000s	4,212,303

be distributed in the following manner:

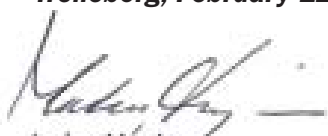
A dividend of SEK 6.00 per share be paid to the shareholders, SEK 000s	542,144
balance to be carried forward, SEK 000s	3,670,159
Total, SEK 000s	4,212,303

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 108 percent. 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 12, 2007


Anders Narvinger
Chairman


Heléne Berquist


Rolf Larsson


Berthold Lindqvist


Rolf Kjellman

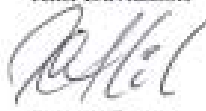

Claes Lindqvist


Staffan Bohman


Kim Davidsson


Alf Fredlund


Karin Linsjö


Peter Nilsson
President

Audit report submitted February 16, 2007.

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 2006 financial year. The company's annual accounts are included in the printed version of this document on pages 20 – 74. 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 the 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.

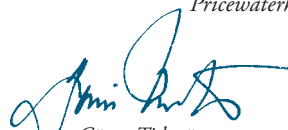
We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable, but not absolute, assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes 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 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 the 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 16, 2007
PricewaterhouseCoopers AB

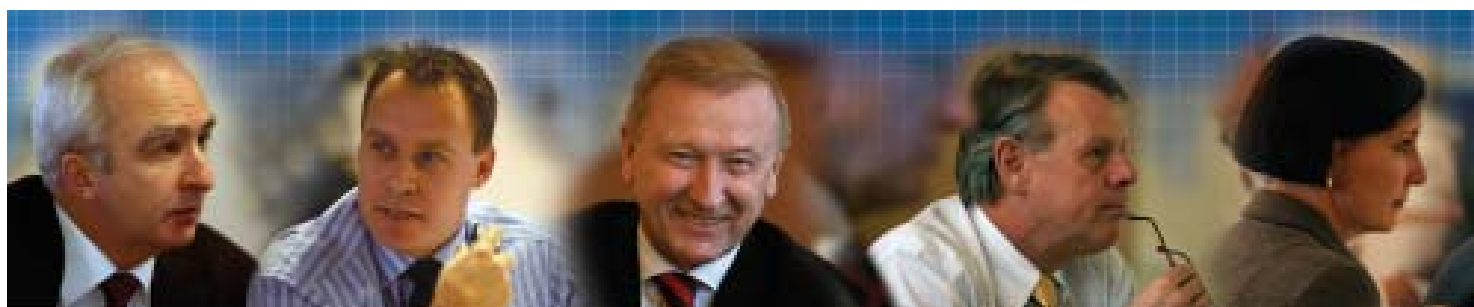


Göran Tidström
Authorized Public Accountant
Auditor in charge



Olov Karlsson
Authorized Public Accountant

Corporate Governance Report 2006



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How Trelleborg is governed

Trelleborg applies the Swedish Code of Corporate Governance and in this section presents the 2006 Corporate Governance Report.



Application of Swedish Code of Corporate Governance 2006

In its work to continuously follow up the application of the Code, Trelleborg produced the document entitled "Overview of Trelleborg AB's application of the Swedish Code of Corporate Governance 2006," which is available on the web site, www.trelleborg.com.

Reviews in 2006 did not lead to Trelleborg reporting any deviations.

This Corporate Governance Report has not been reviewed by the Company's auditors.

www.trelleborg.com

Shareholders

Trelleborg's Series B shares have been traded on the Stockholm Stock Exchange since 1964. The share capital in Trelleborg AB on December 31, 2007 amounted to SEK 2,259 M, represented by 90,357,261 shares. Trelleborg has two classes of shares: 9,500,000 Series A shares and 80,857,261 Series B shares. Series

A shares each carry ten 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.

The number of shareholders in Trelleborg at year-end was 44,223. Of the total number of shares, foreign shareholders corresponded to approximately 30 percent. Institutions accounted for the majority of ownership. Of the total shares at year-end, 84 percent were owned by legal entities, 16 percent by private individuals, representing 92 percent and 8 percent, respectively, of the total number of votes.

www.trelleborg.com

Annual General Meeting

The Annual General Meeting is generally held in the month of April in Trelleborg. The

2006 Annual General Meeting took place on Tuesday, April 25, 2006. Approximately 900 shareholders attended the meeting, representing about 67.5 percent of the votes. Anders Narvinger was elected Chairman of the meeting. All Board members elected by the Annual General Meeting were present.

Summary of the decisions made at the 2006 Annual General Meeting

- 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 5.50 per share for 2005.

- The meeting decided 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.
- Heléne Bergquist, Staffan Bohman, Rolf Kjellman, Berthold Lindqvist, Claes Lindqvist and Anders Narvinger were re-elected to the Board and Peter Nilsson was elected as a new member of the Board.
- Anders Narvinger was re-elected Chairman of the Board.
- The meeting decided that fees to Board members, excluding travel expenses, should be paid in the total amount of SEK 2,300,000, to be distributed as

follows: SEK 800,000 to be paid to the Chairman and SEK 300,000 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 125,000 to the Chairman of the Committee and SEK 75,000 to the other Audit 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.

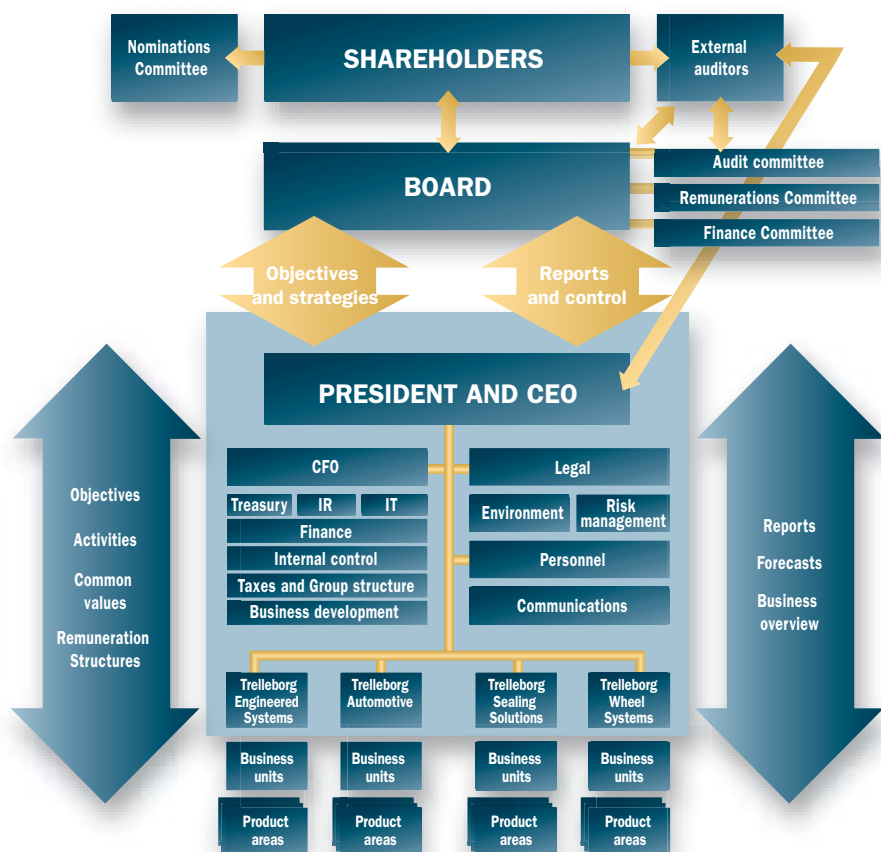
- The meeting decided that a Nominations Committee shall prepare and present proposals to the shareholders at the Annual General Meeting regarding the election of

the Chairman and other Board members and, when applicable, present proposals for auditors and remuneration to the Board and the auditors. The Meeting also decided on the procedure for the appointment of the members of the Nominations Committee and its work.

- 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 treasury 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 treasury shares in a manner other than via the Stockholm Stock Exchange to finance the acquisition of companies or operations.

- The meeting decided on the principles for remuneration and other conditions of employment for the President and other senior executives.
- The meeting decided on certain amendments to the Articles of Association following the provision from the new Swedish Companies Act that came into force on January 1, 2006.
- The meeting decided on a reduction of share capital of SEK 140,577,500 through the cancellation without repayment of the 5,623,100 Series B shares repurchased by the Company supported by resolutions made by previous Annual General Meetings.

For further information on the 2006 Annual General Meeting, refer to www.trelleborg.com, where all documents from the meeting are available.



The Annual General Meeting is the Trelleborg Group's highest decision-making body. The meeting appoints the Board of Directors, which is responsible for sharing the management and control of the Trelleborg Group 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 and its Committees' own internal control instruments. Trelleborg's overall legal structure is described in Note 17, page 66 of the Annual Report.

Nominations Committee

Composition of the Nominations Committee

In accordance with a decision by the Annual General Meeting, the Nominations Committee shall consist of five members, who are to be representatives of five major shareholders at the close of the third quarter. The procedures for the appointment and work of the Nominations Committee established by the meeting are as follows:

- The 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 not later than six months prior to the Annual General Meeting and 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.

Nominations Committee 2006

In accordance with the decision of Trelleborg's 2006 Annual General Meeting, the Board Chairman was assigned the task of asking five representatives of the company's five major shareholders to become members of the Nominations Committee to formulate proposals on the composition of Board members and Board fees to be presented to the 2007 Annual General Meeting for approval. The following persons were asked and accepted a place on the Nominations Committee:

- Didrik Normark, Henry and Gerda Dunker Foundation, Chairman of the Nominations Committee.

- Ramsay Brufer, Alecta, Secretary to the Nominations Committee.
 - Lars Öhrstedt, AFA/TFA.
 - Henrik Didner, Didner & Gerge Mutual Funds.
 - Åsa Nisell, Swedbank Robur Fonder.
- Board Chairman Anders Narvinger was also a member of the Nominations Committee for 2006. The Committee represents approximately 65 percent of the shareholders' votes. No remuneration was paid to the members of the Nominations Committee.

Work of the Nominations Committee

The Nominations Committee held three meetings in 2006. 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. In addition, the Board Chairman presented the annual evaluations of Board members. At the second meeting, the Board Chairman reported on the Board's work during the year, the written rules of procedure for the Board, and the work of the Remunerations Committee. Rolf Kjellman, Chairman of the Audit Committee, participated in the meeting for the agenda item "Work of the Audit Committee" and reported on the work of the Committee and its future focus. The third meeting was dedicated to matters concerning the notice of and the agenda for the Annual General Meeting.

The aim of the principal owners is that elected Board members shall possess 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 2007 Annual General Meeting that all Board members be reelected.

Every year, the Nominations Committee presents a report on its work for the year. Additional information on the Nominations Committee, for example contact information, is available at www.trelleborg.com.



The Board of Directors and its activities

Composition of the Board

In accordance with the Articles of Association, the Board of Directors of Trelleborg AB shall consist of three to ten members, elected by the Annual General Meeting for

Read more about corporate governance in Trelleborg at

www.trelleborg.com/corporategovernance.

Here you will find more information, for example:

- Overview of Trelleborg AB's application of the Swedish Code of Corporate Governance
- Articles of Association
- 2007 Annual General Meeting
- Annual General Meeting in prior years (Meeting documents, presentation by the President, minutes, etc.)
- Nominations Committee
- Steering instruments (for example, Code of Conduct)
- Previous years' Corporate Governance Reports

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 2006, 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) fackliga koncernrådet (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.

Rules of procedure

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 President'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.

Responsibilities of the Chairman

The Chairman heads the work of the Board and is responsible for ensuring its compliance with the Swedish Companies Act, other relevant legislation and regulations, the applicable rules governing listed companies, including the Swedish Code of Corporate Governance, the Articles of Association, and the internal steering documents of the Board and its Committees. It is the responsibility of the Chairman to monitor operations, in consultation with the President, and to ensure that other Board members receive the information and documentation necessary to maintain a high level of quality in discussions and decisions. The Chairman is responsible for evaluating the Board's activities, 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 issues.

Responsibilities of the Board

The responsibilities of the Board include monitoring the work of the President through ongoing reviews of the operation over the year. The Board is also 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. In addition, the responsibilities of the Board include setting strategies and targets, establishing special control instruments, deciding on large acquisitions 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.

Board activity in 2006

According to the current rules of procedure, the Board must convene seven times a year and otherwise as necessary. In 2006, the Board held eleven meetings, of which four were extra meetings. The main topics of discussion were as follows:

No. 1/06: Year-end report, auditing and legal issues. Auditors present.

No. 2/06: Annual Report 2005, acquisition matters.

No. 3/06: Three-month interim report, acquisition matters, etc.

No. 4/06: Statutory meeting following the Annual General Meeting; Committee elections, authorized signatories, adoption of rules of procedure for the Board, instructions for the President and instructions for financial reporting to the Board.

No. 5/06: Acquisition matters.

No. 6/06: Acquisition matters, structural issues.

No. 7/06: Six-month interim report, etc.

No. 8/06: Strategic issues, visit to foreign operations.

No. 9/06: Strategic plan, internal control and financing matters.

No. 10/06: Nine-month interim report, structural issues, etc.

No. 11/06: Follow-up of auditing. Auditors present.

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.

Audit Committee

The Audit Committee comprises Board members Rolf Kjellman, who is also the Chairman of the Committee, Heléne Bergquist and Anders Narvinger. The Group's CFO, Bo Jacobsson, and General Counsel and Secretary, Ulf Gradén, participate in the Audit Committee meetings. The company's auditors also participate in the Audit Committee meetings. A total of seven meetings

of the Audit Committee were held in 2006. 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 the Board of Directors of 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.

Remunerations Committee

In accordance with the decision of the 2006 Annual General Meeting, the Board shall appoint a Remunerations Committee to decide on matters pertaining to remuneration and terms of employment for the President and establish principles for remuneration to other senior executives

The Remunerations Committee consists of Board members Anders Narvinger, who chairs the Committee, and Berthold Lindqvist. The Remunerations Committee convened five times during 2006 and maintained ongoing communications in conjunction with appointments and other payroll issues. The Committee reports its work to the Board.

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, Heléne 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 three meetings in 2006.

Remunerations

The fees paid to the members of the Board of Directors elected by the Annual General Meeting are established by the Annual Gen-

Composition of the Board and number of meetings 2006

Name	Elected	Position	Remunerations Committee	Finance Committee	Audit Committee	Attendance at Board meetings	Attendance at Committee meetings
Anders Narvinger	1999	Chairman	●	●	●	100%	100%
Heléne Bergquist	2004	Member		●	●	100%	100%
Staffan Bohman	2000	Member				91%	
Rolf Kjellman	1997	Member		●	●	100%	100%
Berthold Lindqvist	1996	Member	●			91%	100%
Claes Lindqvist	2004	Member				91%	
Peter Nilsson	2005	Member				100%	
Kim Davidsson	1994	Employee representative				100%	
Alf Fredlund	2001	Employee representative				100%	
Karin Linsjö	2000	Employee representative				73%	
Rolf Larsson	2002	Employee representative				100%	

● = Chairman ● = Member

eral Meeting, based on the proposals of the Nominations Committee. The Chairman of the Board receive a fee of SEK 800,000 (700,000) for the period May 2006 to April 2007. The remaining five members who were elected by the Annual General Meeting and are not Group employees receive remuneration totaling SEK 1,500,000 (1,250,000), distributed as SEK 300,000 (250,000) each. Consequently, total fees paid to Board members amount to SEK 2,300,000 (1,950,000), excluding reimbursement for travel expenses. In addition, remuneration is paid to the Audit Committee in the amount of SEK 125,000 to the Chairman and SEK 75,000 to the Audit Committee members. No consulting fees to Board members were paid in 2006.

Auditors

The responsibilities of the Nominations Committee 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. Göran Tidström is the Chairman of the Board of PricewaterhouseCoopers Sverige AB and EFRAG (European Financial Reporting Group) and a Board member of IFAC (International Federation of Accountants). Göran Tidström's audit assignments in addition to Trelleborg include Securitas, Telia Sonera and AB Volvo. Göran Tidström has been an Authorized Public Accountant since 1974.

Olov Karlsson has been an Authorized Public Accountant since 1980. In addition to Trelleborg, Olov Karlsson also has audit assignments with AB Volvo and Pergo AB.

Internal control and financial reporting

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.

Trelleborg established a new Internal Control staff function in 2005 that reports to the Group's CFO. This function works

Independence of the Board

	Independent in relation to the company	Independent in relation to company's major shareholders
Anders Narvinger	Yes	Yes
Heléne Bergquist	Yes	Yes
Staffan Bohman	Yes	Yes
Berthold Lindqvist	Yes	Yes
Rolf Kjellman	Yes	No – Has assignments for Trelleborg's main owner, the Dunker Funds and Foundations.
Claes Lindqvist	Yes	No – Has assignments for Trelleborg's main owner, the Dunker Funds and Foundations.
Peter Nilsson	No – President & CEO	

Remuneration to Board of Directors (SEK) for the period May 2006 – April 2007

Remuneration is not paid to members of the Remunerations or Finance Committees.

Consulting fees are not paid to Board members.

SEK	Board fees	Remuneration for Committee work	Total
Anders Narvinger, Board Chairman	800,000	75,000	875,000
Heléne Bergquist	300,000	75,000	375,000
Staffan Bohman	300,000	–	300,000
Berthold Lindqvist	300,000	–	300,000
Rolf Kjellman, Chairman of Audit Committee	300,000	125,000	425,000
Claes Lindqvist	300,000	–	300,000
Peter Nilsson	–	–	–
Total	2,300,000	275,000	2,575,000

Remuneration to auditors

SEK M	2006	2005
Standard remuneration	30	26
Remuneration for services in addition to auditing services*	14	6
Total	44	32

*Remuneration for services in addition to auditing services refers primarily to tax consultations and corporate acquisitions. Refer also to Note 4, page 62.

Business concept and objectives

Values

Code of conduct

Policies, manuals and recommendations

Other steering instruments

Steering instruments

Trelleborg has a number of policies and manuals containing binding rules and recommendations governing the Group's operations and its employees. Examples of these documents: Code of Conduct, Financial Manual (accounting and reporting regulations), Finance Policy, Communications Policy and Remuneration Policy.

Read more about our steering instruments at www.trelleborg.com. Here you can find complete versions of many of our steering instruments.



President and 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, the Articles of Association 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 for 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; a total of 12 persons at year-end 2006. For changes from the second quarter of 2007, refer to pages 88-89. Overseen by the President, Group Management conducts regular reviews of Group operations.

Remunerations

Trelleborg's principles for remuneration to senior executives entail that the company shall offer market-based terms of employment that enable the company to recruit, develop and retain senior executives. The remuneration structure shall comprise base and variable salary, pension and other remuneration, which together form the individual's total remuneration package. Trelleborg continuously gathers and evaluates information on market-based remuneration levels for relevant industries and markets.

The principles for remuneration shall vary depending on local conditions. For further information, refer to www.trelleborg.com, Corporate Governance, 2006 Annual General Meeting, "Principles for remuneration and other conditions of employment for senior executives."



In 2006, the President, who is also the Chief Executive Officer, received a base salary, variable salary and other remuneration, as stipulated in the table on the next page. The variable salary portion is subject to an upper limit of SEK 3 M per full year. The variable

proactively with further developing and improving the internal control through risk assessments, preparation of target scenarios and compiling a special set of regulations with standards and minimum requirements for the internal control over the financial reporting. The function also works with evaluating the level of internal control over the financial reporting based on follow-ups of self-assessments.

Trelleborg's CFO and the Head of the Internal Control staff function report periodically on their work with the internal control over the financial reporting to the Audit Committee. The Board will continuously evaluate whether the need exists for developing this function into a formal, separate internal audit function.

The Board oversees the quality of financial reporting through instructions to the President, instructions regarding financial reporting to the Board and through the Communications 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 checking financial press releases and presentation material in conjunction with meetings with the media, shareholders and financial institutions.

From 2006, Trelleborg's six-month interim reports are reviewed in outline by the Group's auditors.

Auditors' reporting to the Board and shareholders

The Board's Audit Committee is responsible for maintaining ongoing contact with the company's auditors. The auditors follow an audit plan that incorporates the comments and concerns of the Audit Committee and the Board, and report their observations to the Audit Committee and the Board during the course of the audit and in conjunction with the establishment of the 2006 Annual Report in February 2007. The auditors also participate in the Annual General Meeting, at which they report on the audit and the observations they made.

salary portion is based on 65 percent of Trelleborg's consolidated profit before tax. A further 35 percent of variable salary is based on Trelleborg's consolidated net profit. Neither includes the effects of structural changes approved by the Board. The variable salary portion does not constitute pensionable income.

The 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 percent of the President's fixed annual salary. For 2006, 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. This clause does not apply if termination is initiated by the President, in which case a period of notice of six months is required. The principles governing remuneration to other senior executives are based on a fixed salary and a variable salary. The

variable portion has a fixed upper limit and usually comprises a maximum of 30–50 percent of the total salary, based primarily on the trend of earnings. For reasons of competitiveness in the market, the fixed upper limit for certain senior executives localized outside Sweden amounts to 70 percent.

Some of these senior executives have agreements providing for a mutual entitlement to request early retirement at 60. Such early retirement carries with it a contractual remuneration of 60 percent of the person's regular annual salary up to 65 years of age, when the old-age pension generally commences. At the beginning of 2007, the defined-benefit pension plans were replaced by defined-contribution plans whereby pension premiums are calculated at 30 percent of the annual base salary. For certain 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.

Incentive program

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 signifi-

cant influence on earnings per share for the Trelleborg Group. The Board also decided to introduce a similar program for 2006. Both of these programs are rolling three-year programs for which the Board will decide on any new programs on an annual basis. The programs are cash-based and comprise an addition to the annual variable salary, and presuppose 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 percent, including costs for the programs. For 2005, the Board decided on a target of SEK 12.40 in earnings per share. The maximum outcome for the 2005 program is 100 percent of the senior executive's annual variable target salary at the end of the program. For 2006, the Board decided on a target of SEK 14.10 in earnings per share, with a maximum outcome of 150 percent of the senior executive's annual target variable salary at the end 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, and payment for the program decided upon in 2006 will take place during the first quarter of 2009. The outcome does not comprise pensionable income. Earnings for 2006 were not charged with any cost for these programs.

Other incentive programs

The Group has no ongoing convertible debenture or warrants programs at the present time.



Specification of Board fees and salaries for the President, Executive Vice Presidents and other senior executives

2006 SEK 000s	Board fee/ Basic salary	Variable salary	Other benefits	Pension cost	Total
Chairman of the Board	826				826
Other Board members, five persons	1,594				1,594
President	5,134	1,280	114	1,682	8,210
Executive Vice Presidents, two persons at December 31, 2006	6,666	763	465	2,300	10,194
Other senior executives, 11 persons	25,068	5,397	948	5,770	37,183
Total	39,288	7,440	1,527	9,752	58,007

The long-term incentive program did not entail any cost in 2006.

2005 SEK 000s	Board fee/ Basic salary	Variable salary	Other benefits	Pension cost	Total
Chairman of the Board	730				730
Other Board members, five 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 executives, 11 persons	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.

BOARD OF DIRECTORS

ANDERS NARVINGER



CLAES LINDQVIST



KARIN LINSJÖ



ROLF KJELLMAN



HELÉNE BERGQUIST



KIM DAVIDSSON



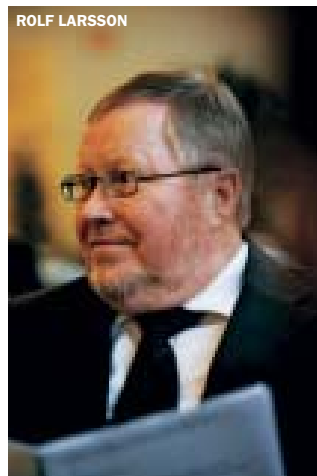
BERTHOLD LINDQVIST



STAFFAN BOHMAN



ROLF LARSSON



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 Invest in Sweden Agency. 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 2006: 10,000 shares.

Holdings 2005: 10,000 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, Novotek AB, Konstruktionsbakelit AB, Connect Skåne, Öresundskraft Produktion AB, among others.

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 Högånäs AB.

Holdings 2006: 10,000 shares.

Holdings 2005: 2,000 shares.

Born: 1950. Elected to Board: 2004.

PETER NILSSON
President and CEO

Qualifications: M.Sc.Eng.

Previous positions include Business Area President, Trelleborg Engineered Systems, management consultant at BSI.

Holdings 2006: 26,500 shares.

Holdings 2005: 1,500 shares.

Born: 1966. Elected to Board: 2006

Members appointed by employees

KIM DAVIDSSON
Employee representative

Engineering employee, appointed by the Unions of the Trelleborg Group (LO).

Chairman 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 2006: -

Holdings 2005: -

Born: 1947. Elected to Board: 1994.

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 2006: 2,710 shares (own and family members').

Holdings 2005: 4,818 shares (own and family members').

Born: 1946. Elected to Board: 2001.

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 FAR (the Institute for the Accounting Profession in Sweden) and Board member of Association for the Development of Generally Accepted Accounting Principles.

Holdings 2006: 1,500 shares

Holdings 2005: 800 shares.

Born: 1958. Elected to the Board: 2004.

ROLF LARSSON
Deputy employee representative

Salaried employee, appointed by the Unions of the Trelleborg Group (PTK).

Qualifications: IT and business development studies.

Holdings 2006: -

Holdings 2005: -

Born: 1942. Elected to Board: 2002.

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 2006: 167 shares.

Holdings 2005: 167 shares.

Born: 1954. Elected to Board: 2000.

Auditors: PricewaterhouseCoopers AB

GÖRAN TIDSTRÖM
Authorized Public Accountant, Auditor in Charge

Auditor since 2004.

Assignments: Auditor of Securitas, Telia Sonera and AB Volvo. 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.

STAFFAN BOHMAN
Board member

Vice Chairman of EDB Business Partner ASA, Oslo, Swedfund AB and the Institute of International Business at the Stockholm School of Economics.

Board member of Atlas Copco AB, Dynapac, Inter IKEA Holding SA, Ratos, and Scania.

Qualifications: Stockholm School of Economics and the Stanford Business School, US.

Previously Chief Executive Officer of DeLaval, Gränges and SAPA.

Holdings 2006: 12,000 shares.

Holdings 2005: 12,000 shares.

Born: 1949. Elected to Board: 2000.

ROLF KJELLMAN
Board member

President of Henry Dunkers Förvaltnings AB.

Executive Member of Henry and Gerda Dunker 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 2006: 2,000 shares.

Holdings 2005: 2,000 shares.

Born: 1939. Elected to Board: 1997.

BERTHOLD LINDQVIST
Board member

Chairman of Munters AB. Board member of Securitas AB, JM AB, Cardo AB, and other companies.

Qualifications: Med. Dr. hc., Graduate engineer.

Previously positions include President and Chief Executive Officer of Gambro.

Holdings 2006: 2,000 shares.

Holdings 2005: 2,000 shares

Born: 1938. Elected to Board: 1996.

PETER NILSSON



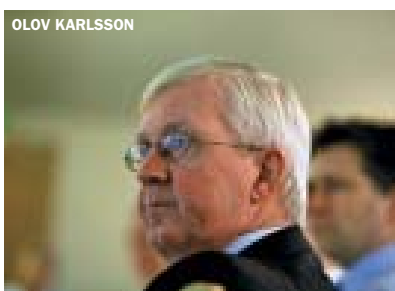
ALF FREDLUND



GÖRAN TIDSTRÖM



OLOV KARLSSON



Report by the Board of Directors on internal control over the financial reporting for fiscal year 2006

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, communication and monitoring. The departure point for the process is the framework for internal control issued by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

This internal control report has not been reviewed by the company's auditors.

Control environment

Decision-making channels, authorization and responsibility are defined in the Board's rules of procedure, instructions for the Audit Committee and instructions for the President, and in the authorization and division of responsibility that pertains to the legal and operational organizations.

Trelleborg has control instruments in the form of policies, and manuals that contain binding rules and a number of recommendations that provide guidelines and instructions for the Group's operations and employees, such as Business Concepts and Objectives, Values, Code of Conduct, Financial Policy, Communications Policy and Financial Manual.

The instruments named above, combined with laws and regulations, including the Swedish Code of Corporate Governance, comprise pertinent regulations for publicly listed companies, and the articles of association provide the foundation for the control environment.

Risk assessment

Trelleborg's process for risk assessment, involving the identification of significant risks to which the operations are exposed, including the financial reporting, is the basis for control and control level requirements within the parameters established by the Board of Directors and the executive management.

A comprehensive risk assessment concerning risk related to financial reporting was conducted during 2005 to identify the areas in which these risks lie within the organization and its processes. The risk assessment was led by the Internal Control staff function and resulted in a more clearly defined target scenario for the focus of continued efforts to further develop and improve internal control over the financial reporting.

The detailed risk assessment from 2005

was updated in 2006 where it was established that the risk assessment from 2005 still applies and therefore the target scenario regarding the focus on the continued work with the financial control over the financial reporting stands firm.

Control structures

The significant risks identified that impact the internal control over the financial reporting are managed by Trelleborg's control structures. These structures are intended to ensure the fulfillment of fundamental requirements for the financial reporting and are documented in process and internal control descriptions.

Ongoing work efforts are continuing to eliminate or reduce identified significant risks that impact the internal control over the 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.

In 2006, a special set of regulations with standards and minimum requirements for internal control over the financial reporting and tools for the documentation of processes and internal control descriptions in a number of prioritized risk areas were developed. The process of implementing these regulations in approximately 40 of the Group's largest legal entities is currently underway. An additional number of legal entities will be included in this work from 2007.

In 2007, a set of regulations with standards and minimum requirements for steering internal control over the financial reporting will be expanded to include further risk areas.

Information and communication

Trelleborg has internal information and communication channels intended to support completeness and accuracy in the financial reporting, for example, by providing access to and knowledge of instruments 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 over the financial reporting were submitted periodically to executive management.

As a standing item on the agenda of Audit Committee meetings in 2006, Trelleborg's CFO and the head of the Internal Control staff function continuously reported on their work regarding the internal control over the 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.

Monitoring

In addition to its regular operational and financial follow-ups, Trelleborg developed and implemented in 2006 a Groupwide reporting system for the status of internal control over the financial reporting. Using this reporting system, Trelleborg has monitored the compliance of the new special set of regulations with standards and minimum requirements for the internal control over the financial reporting that has been implemented in a number of prioritized risk areas through the self-assessments and reporting performed by the approximately 40 legal entities initially included in this implementation process.

According to plans, the frequency of the self-assessments of the legal entities will be supplemented with a formal, centrally

coordinated assessment process of these units in 2007.

Statement

Trelleborg established a new Internal Control staff function in 2005 that reports to the Group's CFO. As stated above, this function works proactively with further developing and improving the internal control through risk assessments, preparation of target scenarios and compiling a special set of regulations with standards and minimum requirements for the internal control over the financial reporting. The function also works with evaluating the level of internal control over the financial reporting based on follow-ups of self-assessments. Trelleborg's CFO and the Head of the Internal Control staff function report periodically on their work with the internal control over the financial reporting to the Audit Committee. The Board continuously evaluates whether the need exists for developing this function into a formal, separate internal audit function.

Trelleborg, February 12, 2007

The Board of Directors of Trelleborg AB

PETER NILSSON



LENNART JOHANSSON



PETER SUTER



MAURIZIO VISCHI



VIKTORIA BERGMAN



SÖREN ANDERSSON



CLAUS BARSØE



BO JACOBSSON



PETER CLAESSION *



CLAES JØRWALL



ULF GRADÉN



PETER NILSSON
President and CEO
Acting Business Area President, Trelleborg Automotive

Qualifications: M.Sc.Eng.
 Previous positions include Business Area President, Trelleborg Engineered Systems, management consultant at BSI.
 Holdings 2006: 26,500 shares.
 Holdings 2005: 1,500 shares
 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 2006: 5,000 shares (own and family members').
 Holdings 2005: 5,000 shares (own and family members').
 Born: 1951. Employed: 1975-1997, 2002, CFO since 2002 and Executive Vice President since 2005.

MAURIZIO VISCHI
Business Area President, Trelleborg Wheel Systems

Qualifications: MBA.
 Previously held management positions within Pirelli.
 Holdings 2006: -
 Holdings 2005: -
 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 2006: -
 Holdings 2005: -
 Born: 1960. Employed: 2005, in current position since 2005.

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 2006: -
 Holdings 2005: -
 Born: 1949. Employed: 2003, in current position since 2003.

PETER SUTER
Senior Vice President, Procurement and Strategic Projects

Qualifications: MBA.
 Member of ETRMA (European Tyre and Rubber Manufacturers Association).
 Previously President of JD Stenqvist and Finess International.
 Holdings 2006: 8,085 shares.
 Holdings 2005: 9,085 shares
 Born: 1943. Employed 1991, in current position since 2007.

PETER SVENBURG *
Senior Vice President, IT

Qualifications: Bachelor of Law
 Previously held positions including CIO at Scancem/ HeidelbergCement
 Holdings 2006: -
 Holdings 2005: -
 Born: 1949. Employed: 2006, in current position since: 2006.

* Member of Group Management from March 31, 2007.

** Will leave the company on March 31, 2007.

GERTRUD ANDERSSON**
Senior Vice President, Group Finance

Qualifications: Graduate in business administration.
 Previously held various positions within the Trelleborg Group.
 Holdings 2006: 44,110 shares.
 Holdings 2005: 44,110 shares
 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 2006: 273 shares.
 Holdings 2005: 273 shares
 Born: 1953. Employed: 1988, in current position since 1988.

ULF GRADÉN
Senior Vice President, General Counsel and Secretary

Qualifications: Bachelor of Law. Reporting clerk, court of appeal.
 Previously held positions including corporate legal counsel at Mölnlycke and General Counsel at PLM/ Rexam.
 Holdings 2006: -
 Holdings 2005: -
 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.
 Previously held several HR positions within SCA.
 Holdings 2006: 2,000 shares.
 Holdings 2005: 2,000 shares.
 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 Senior Vice President, Communications at Boliden and Trelleborg Group.
 Holdings 2006: 2,199 shares (own and family members').
 Holdings 2005: 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 including Falcon Bryggerier and Vice President, Corporate Communications at Trelleborg.
 Holdings 2006: 500 shares (own and family members').
 Holdings 2005: 500 shares (own and family members').
 Born: 1965. Employed: 2002, in current position since 2005.

PETER CLAESON*
Senior Vice President, Group Treasury

Qualifications: Graduate in business administration
 Previously: Gota Bank
 Holdings 2006: 1,000 shares
 Holdings 2005: 1,000 shares
 Born 1965. Employed 1992, in current position since 2004.

PETER SVENBURG *



MIKAEL BYSTRÖM



Keep up with Trelleborg all year round

What does the Trelleborg Group actually produce? Why was CRP acquired? What is the trend for key data? Who owns the Trelleborg Group? What is the latest news? The Internet is becoming an increasingly important channel for keeping up-to-date. Accordingly, we regularly publish up-to-date information concerning the Group's activities on our website. This information includes:

- About Our Group
- Career
- Corporate Governance
- Sustainability
- History

Corporate Information

Contains general information regarding the Trelleborg Group:

- our business concept, management and organization, as well as our values and targets,
- facts about our corporate governance,
- Trelleborg's efforts to create a sustainable operation (how our activities impact the surrounding environment),
- job vacancies,
- the Group's history.

News

Includes brief news items relating to Trelleborg's multifaceted world – our customer solutions, technological advances and innovations.

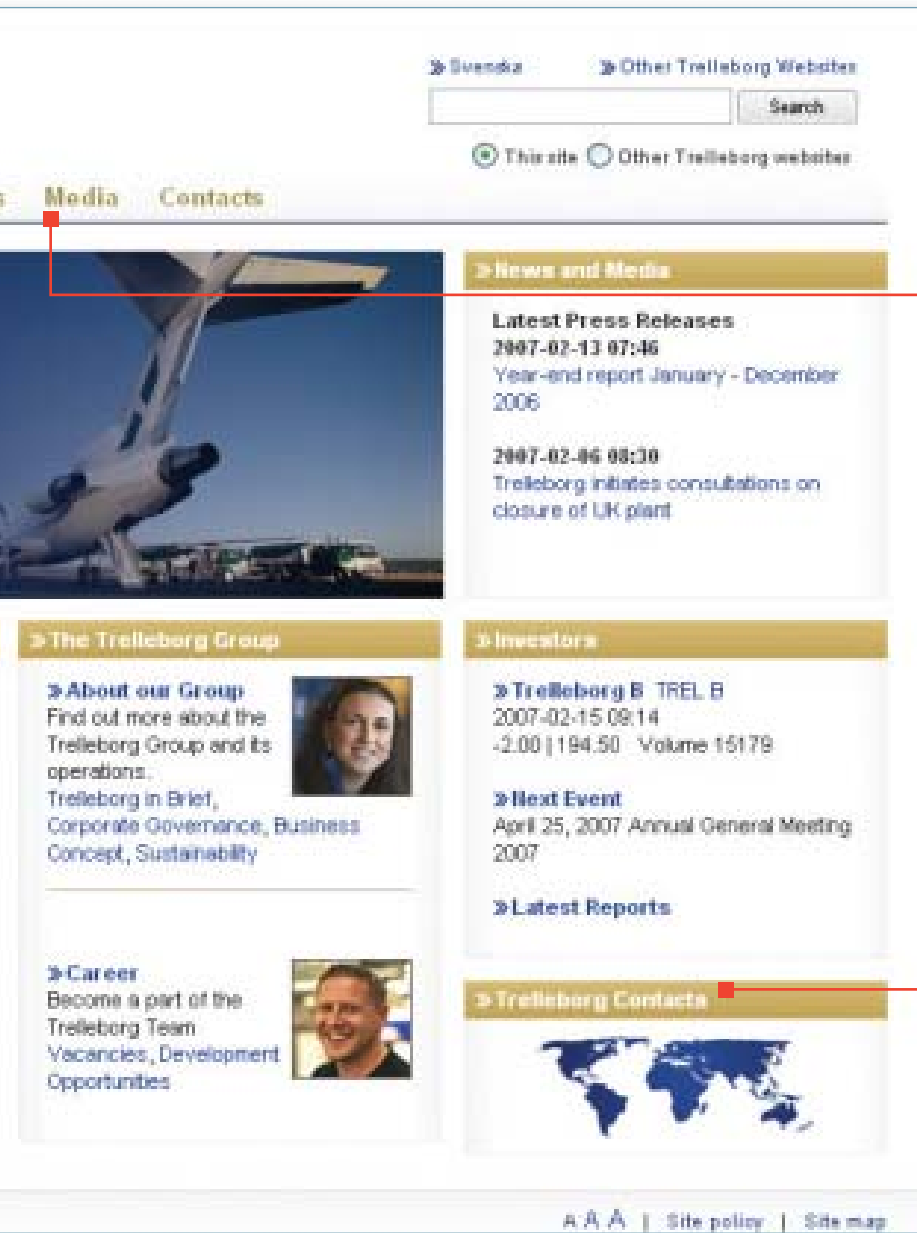


- Our Industries
- Product Index A-Z
- Product Search
- Research and Development
- The Polymer School

Products and solutions

Contains facts concerning:

- which industries we focus on,
- search for a suitable product or solution alphabetically,
- or by industry and product group,
- read more about our research and development,
- learn more about polymers.



- Press Releases
- The World of Trelleborg
- Image Archive
- Video Clips
- T-Time Magazine
- Media Contacts

Media

Contains comprehensive information for the press and other media:

- all press releases from 1995 and onward relating to such activities as acquisitions and other important events,
- an overall presentation of information for journalists required to follow the company's development,
- a picture archive,
- video clips,
- Trelleborg's *T-Time* magazine.

Contacts

Includes addresses to our units and various contact persons, as well as links to all of Trelleborg's websites. It is also possible to subscribe for or order our publications.

- Share information
- Reports
- Five-year Summary
- Presentations
- Calendar
- Acquisitions and Divestments
- Policy for Stock Market Information
- Financial Definitions

Investors

This section contains extensive information for our investors, such as:

- the share price trend and ownership structure,
- the financial result, both in overview and in a more detailed version,
- financial reports with downloadable annual reports from 1976 and onward,
- webcasts from interim reports and other events,
- a calendar of events with current dates,
- acquisitions and divestments.

This list includes Trelleborg's units in January 2006. The number of employees in each country pertains to the end of 2006.

Australia

Production: East Bentleigh, Surry Hills, Zillmere
Development units: Zillmere
Market Offices: Bibra Lake, East Bentleigh, Zillmere
Number of employees: 101

Belgium

Market Offices: Brussels, Dion-Valmont, Evergem, Zaventem
Number of employees: 65

Brazil

Production: São Paulo
Development units: São Paulo
Market Offices: Lencois Paulista, São Paulo
Number of employees: 947

Bulgaria

Market Offices: Sofia
Number of employees: 19

Denmark

Production: Hadsten, Helsingør, Vejen
Development units: Hadsten, Helsingør
Market Offices: Hadsten, Hedensted, Hillerød
Number of employees: 547

Finland

Production: Keikyä, Kiikka, Vihti
Market Offices: Nokia, Vantaa
Number of employees: 131

France

Production: Condé-sur-Noireau, Carquefou, Chemaudin, Clermont-Ferrand, Poix-Terron, Sancheville, Witry lès Reims
Development units: Carquefou-FAS, Carquefou-Modyn, Carquefou-Prodyn, Clermont-Ferrand, Witry lès Reims
Market Offices: Clermont-Ferrand, Compiègne, Maisons-Laffitte, Rochefort
Number of employees: 2,832

The United Arab Emirates

Market Offices: Dubai
Number of employees: 7

Indonesia

Market Offices: Jakarta
Number of employees: 13

India

Production: Bangalore, Noida
Market Offices: Jayanagar
Number of employees: 499

Italy

Production: Asti, Cirié, Livorno, Lodi Vecchio, Rio Saliceto, Spilamberto, Tivoli, Torino
Development units: Livorno, Tivoli, Torino
Market Offices: Cuneo, Cinisello Balsamo, Livorno, Rom, Sesto San Giovanni, Tivoli
Number of employees: 1,562



Japan

Development units: Tokyo
Market Offices: Tokyo Koto-ku, Tokyo
Number of employees: 100

Canada

Production: Guelph
Market Offices: Etobicoke
Number of employees: 143

China

Production: Shanghai, Shangyu City, Wuxi
Development units: Shanghai
Market Offices: Chengdu, Dalian, Guangzhou, Hong Kong, Shanghai, Wuhan
Number of employees: 837

Korea

Production: KyungBuk
Market Offices: Seoul
Number of employees: 349

Lithuania

Production: Tauragė
Number of employees: 85

Malaysia

Market Offices: Kuala Lumpur
Number of employees: 3

Malta

Production: Hal Far
Development units: Hal Far
Number of employees: 648

Mexico

Production: Toluca, Tijuana
Market Offices: Col, Trabajadores de Hierro
Number of employees: 624

Netherlands

Production: Ede, Hoogezand, Ridderkerk
Development units: Ede, Ridderkerk
Market Offices: Barendrecht, Ede, Ridderkerk, Lelystad
Number of employees: 266

Norway

Production: Mjøndalen
Development units: Mjøndalen
Market Offices: Leirdal, Mjøndalen, Oslo, Siggerud, Spydeberg, Stavanger
Number of employees: 311

Poland

Production: Bielsko-Biala, Czechowice-Dziedzice, Walbrzych
Market Offices: Łódź, Warsaw
Number of employees: 1,164

Romania

Production: Dej
Number of employees: 33



Russia

Market Offices: Moskva
Number of employees: 16

Switzerland

Market Offices: Crissier
Number of employees: 25

Singapore

Production: Singapore
Development units: Singapore
Market Offices: Singapore
Number of employees: 231

Slovakia

Production: Nova Bana
Number of employees: 58

Spain

Production: Barcelona, Burgos, Cascante, Izarra, Pamplona, Tarazona, Santander
Development units: Izarra
Market Offices: Madrid
Number of employees: 1,362

Sri Lanka

Production: Kelaniya, Malwana
Development units: Sapugaskanda, Walgama
Number of employees: 672

Great Britain

Production: Barrow-in-Furness, Bridgewater, Cadley Hill, Coventry, Hull, Knaresborough, Leicester, Manchester, Minworth, Newtown, Rotherham, Scunthorpe, Skelmersdale, Swadlincote, Trowbridge, Tewkesbury, West Thurrock,
Development units: Ashchurch, Bridgewater, Coventry, Leicester, Malmesbury, Rotherham, Swadlincote, West Thurrock
Market Offices: Ashby de la Zouch, Bakewell, Bellshill, Cheshire, Edinburgh, Knaresborough, Leicester, Malmesbury, Skelmersdale, Solihull, St Alban, Wiltshire
Number of employees: 2,324

Sweden

Production: Bor, Ersmark, Forsheda, Havdhem, Hemse, Höganäs, Kalmar, Mörbylånga, Rydaholm, Sjöbo, Sävsjö, Trelleborg, Värnamo, Ystad, Örebro
Development units: Ersmark, Forsheda, Höganäs, Kalmar, Sävsjö, Trelleborg, Ystad, Örebro
Market Offices: Bromma, Göteborg, Höganäs, Jönköping, Kalmar, Värnamo
Number of employees: 2,273

South Africa

Market Offices: Johannesburg
Number of employees: 34

Thailand

Market Offices: Bangkok
Number of employees: 4

Taiwan

Market Offices: Taichung
Number of employees: 17

Czech Republic

Production: Dobruvice, Hrádek nad Nisou, Lesina
Market Offices: Rakovnik, Prague
Number of employees: 635

Turkey

Production: Çerkesköy
Number of employees: 229

Germany

Production: Breuberg, Duisburg, Grossheubach, Lathen, Mosbach, Mutzschen, Rechlin
Development units: Höhr-Grenzhausen, Mannheim, Mosbach, Stuttgart
Market Offices: Erbach/Odenwald, Hamburg, Stuttgart, Mettmann, Lathen
Number of employees: 1,301

Hungary

Market Offices: Budapest
Number of employees: 10

USA

Production: Aurora, Benton Harbor, Bristol, Broomfield, Canton, Carmi, Clearbrook, Eugene, Fort Wayne, Hartville, Hudson, Houston, Morganfield, Norcross, Peru, Randolph, Rutherfordton, Salisbury, Sandusky, Somersworth, Spartanburg, South Haven
Development units: Broomfield, Detroit, Fort Wayne, Hartville, Winchester/Clearbrook, Somersworth, South Haven
Market Offices: Bloomfield Hills, Broomfield, Castro Valley, Conshohocken, Fort Wayne, Houston, Lombard, North Charleston, Portland, Portsmouth, Torrance
Number of employees: 3,454

Austria

Market Offices: Vienna
Number of employees: 18

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 impairment of intangible assets, restructuring costs and impairment losses.

EBITDA

– Operating profit/loss excluding depreciation and amortization on tangible and intangible assets, restructuring costs and impairment losses.

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 undistributed participation in the earnings of associated companies, investments and changes in working capital but excluding cash flow pertaining to restructuring.

Operating cash flow/EBIT

Operating cash flow as a percentage of operating profit/loss, excluding restructuring costs and impairment losses.

Operating cash flow per share

Operating cash flow divided by the average number of shares outstanding.

Operating margin (ROS – Return On Sales)

– Operating profit/loss excluding participation in the earnings of associated companies, restructuring costs and impairment losses as a percentage of net sales.

– Operating profit/loss excluding participation in the earnings of associated companies but including restructuring costs and impairment losses as a percentage of net sales.

P/E ratio excluding impairment losses and restructuring costs

Market price divided by the earnings per share excluding restructuring costs and impairment losses net after tax.

Rate of capital turnover

Net sales as a percentage of average capital employed.

Return on capital employed (ROA – Return on Assets)

EBIT divided by the average capital employed.

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.

*) 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).

Cross-ply tire A former popular type of tire in which the fiber direction in its inner reinforcement, the tire cord, is placed diagonally against the center of the tire, facing the direction of travel.

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.

EMC (Electromagnetic Compatibility) A term used to describe how electromagnetic radiation in electronics in various equipment affects or is affected by the surroundings. The EMC shielding components comply with certain rules for electronic equipment, for example, EU directives.

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.

Global Compact UN initiative that unites companies and social institutions around universally applicable principles for environment and society. The aim is for companies to become members of society that are involved in developing solutions for challenges arising from increasing globalization.

GRI (Global Reporting Initiative) A global network in which community representatives, industries, investors and others cooperate to create and improve the onset within sustainable reporting, on a consensus basis.

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.

Radial tires Increasingly popular type of tire with the fibers of the inner reinforcement, the tire cord, placed in a radial direction towards the center of the tire.

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 (thermo-plastic 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.

Vulcanizing agent Additive for vulcanization of rubber. The most common vulcanizing agent is sulfur. Organic peroxides are used when transparency, non-discoloration or high elasticity is required.

The Annual General Meeting of Trelleborg AB (publ) will be held on Wednesday, April 25, 2007, 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 Thursday, April 19, 2007, 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, 2007. 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 32 or 670 00
- via our web site: 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 2007 Annual General Meeting

Proposed dividend

The Board of Directors and the President propose that a cash dividend of SEK 6.00 (5.50) per share be paid to the shareholders.

Monday, April 30, 2007, is proposed as the date of record. If the Meeting approves the proposal, the dividend will be remitted by VPC AB on Friday, May 4, 2006.

Board members

A Nominations Committee consisting of the Chairman of the Board and representatives of the major owners, representing approximately 65 percent of the votes in Trelleborg, have decided to propose to the Annual General Meeting the reelection of all Board members that were elected at the 2006 AGM.

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 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 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 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 **seals, damp**s and **protects** in demanding industrial environments worldwide. We offer our customers high-performance solutions based on advanced polymer technology and in-depth applications know-how.

Solutions Securing Values™



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