TRELLEBORG

Year-end Report, January-December 2006

Strong trend for operations outside automotive industry

Trelleborg's growth was favorable in 2006, with an increase in sales of 13 percent. Organic growth was 6 percent for the full year and 9 percent for the fourth quarter.

Operations outside the automotive industry developed favorably during the year and three out of four business areas increased operating profit. The Group's non-restricted cash flow remained strong.

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, resulting in a positive impact on consolidated earnings.

Prices for the Group's principal raw materials reached historically high levels in 2006.

"Our continued growth and focusing of operations on attractive segments, as well as the successful implementation of the action program is a priority," says President and CEO Peter Nilsson.

Key ratios

- Net sales increased during the fourth quarter to SEK 6,945 M (6,182) and to SEK 27,284 M (24,170) for the full year.
- Net profit:

Net profit:	Fourth quarter	January-December
• Continuing operations	Loss of SEK 8M (profit: 284)	SEK 763 M (1,152)
• Discontinued operations	Loss of SEK 1 M (profit: 9)	SEK 3 M (25)
• Total net profit	Loss of SEK 9 M (profit: 293)	SEK 766 M (1,177)
• **-whereof restruct. costs/WD**	**SEK 285 M (-)**	**SEK 304 M (-)**

- Earnings per share amounted to a loss of SEK 0:15 (profit: 3.20) in the fourth quarter and SEK 8.30 (12.90) for the full year.

Operating key ratios

- Continuing operations, excl. restructuring costs and impairment losses:

	Fourth quarter	January – December
• Operating profit	SEK 476 M (395)	SEK 1,815 M (1,738)
• Profit before tax	SEK 386 M (337)	SEK 1,502 M (1,530)
• Net profit	SEK 279 M (284)	SEK 1,067 M (1,152)
• Earnings per share	SEK 3.05 (3.10)	SEK 11.65 (12.60)

Significant events during the fourth quarter

- During the quarter, the acquisition of Reeves was concluded, as well as two smaller acquisitions.
- A decision was made concerning the relocation of industrial production from Hartville, Ohio, to facilities in Sri Lanka. It was also decided to relocate manufacturing of protective products from Sweden to Lithuania.
- During the fourth quarter, a vigorous action program was initiated for the Automotive business area, comprising approximately SEK 875 M, with the aim of improving profitability in the business area, *see table on page 4.*

Outlook for first six months 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.

Board proposes to Annual General Meeting dividend of SEK 6.00 (5.50)

- The Board and President propose a cash dividend of SEK 6.00 (5:50).

Key Ratios, Group

SEK M **Key ratios**	Oct - Dec 2006	 2005	Jan - Dec 2006	 2005
Continuing operations				
Net sales	6 945	6 005	27 041	23 509
Operating profit	162	395	1 478	1 738
Profit before tax	72	337	1 165	1 530
Profit for the period	-8	284	763	1 152
*Discontinued operations **				
Net sales	-	177	243	661
Operating profit	-3	14	29	41
Profit before tax	-2	13	28	37
Profit for the period	-1	9	3	25
Total net sales	**6 945**	**6 182**	**27 284**	**24 170**
Total operating profit	**159**	**409**	**1 507**	**1 779**
Total profit before tax	**70**	**350**	**1 193**	**1 567**
Total profit for the period	**-9**	**293**	**766**	**1 177**
- attributable to minority interest	4	5	15	16
- attributable to equity holders of the parent	-13	288	751	1 161
Earnings per share, SEK 1)	-0,15	3,20	8,30	12,90
Free cash flow	473	248	918	949
Free cash flow per share, SEK 2)	5,25	2,75	10,15	10,55
Net debt			9 350	7 236
Debt/equity ratio, %			96	72
Return on shareholders' equity, %	neg	11,7	7,6	12,5
Average number of employees, *of whom*			22 506	21 694
- women			5 485	5 448
- men			17 021	16 246
Operating key ratios				
Continuing operations excluding restructuring costs and impairment losses				
Operating profit	476	395	1 815	1 738
Profit before tax	386	337	1 502	1 530
Profit for the period	279	284	1 067	1 152
Earnings per share, SEK 1)	3,05	3,10	11,65	12,60
EBITDA, %	10,2	10,0	10,0	10,8
Operating margin (ROS), %	6,8	6,3	6,6	7,3
Return on capital employed (ROA), %			9,8	10,7
Return on shareholders' equity, %	11,3	11,3	10,7	12,3
Operating cash flow	752	521	1 607	1 770
Operating cash flow/Operating profit, %	158	132	89	102
Operating cash flow per share, SEK 3)	8,30	5,75	17,80	19,65
Net debt/EBITDA, multiple			3,4	2,8
EBITDA/Financial income and expenses, multiple			8,7	12,4

** Discontinued operations refers both to operations that have been discontinued and those for which an agreement regarding discontinuation has been reached.*

1) Profit for the period attributable to equity holders of the parent divided by the average number of shares outstanding
2) Net cash flow excluding acquisitions and disposals after tax and cash flow related to shareholders
3) Operating cash flow related to the average number of shares outstanding

GROUP

Net sales, profits and earnings per share

Fourth quarter

During the fourth quarter of 2006, the Trelleborg Group's net sales amounted to SEK 6,945 M (6,182), an increase of 12 percent. Organic growth was 9 percent.

Operating profit for the Group amounted to SEK 159 M (409). Profit before tax amounted to SEK 70 M (350). Net loss was SEK 9 M (profit: 293) and loss per share was SEK 0.15 (profit: 3.20).
Operating profit was negatively impacted by restructuring costs and impairment losses totaling SEK 314 M before tax and SEK 285 after tax. The restructuring costs and impairment losses are attributable to the action program within the Automotive, Engineered Systems and Wheel Systems business areas combined with the effect of impairment testing of goodwill for Automotive *(see page 4)*.

For continuing operations, excluding restructuring costs and impairment losses, operating profit amounted to SEK 476 M (395).

Excluding the Automotive business area, operating profit increased by about 58 percent and the operating margin rose to 9.5 percent (7.5) during the quarter. The increase is a result of the successful focusing of operations, positive effects from concluded acquisitions and continued favorable market conditions within such segments as the aerospace industry, oil/gas, construction/infrastructure and general industry.

The Group's profit before tax, excluding restructuring costs and impairment losses, totaled SEK 386 M (337), and net profit amounted to SEK 279 M (284). Earnings per share were SEK 3.05 (3.10). The Group's operating margin amounted to 6.8 percent (6.3). The EBITDA margin amounted to 10.2 percent (10.0).

January-December 2006

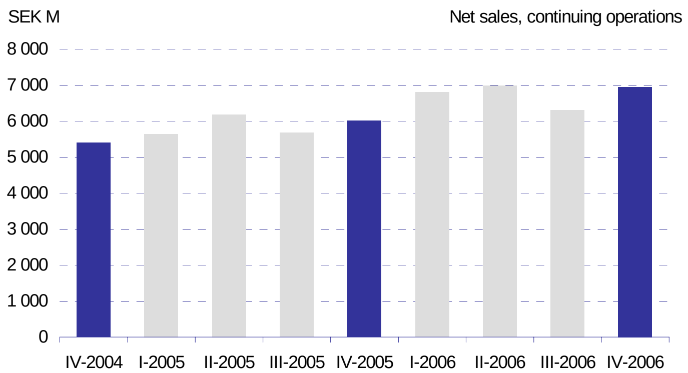
The Trelleborg Group's net sales amounted to SEK 27,284 M (24,170) for the period January to December 2006, an increase of 13 percent. Organic growth was 6 percent. Operating profit for the Group amounted to SEK 1,507 M (1,779). Profit before tax totaled SEK 1,193 M (1,567). Net profit was SEK 766 M (1,177), and earnings per share were SEK 8.30 (12.90). In addition to the restructuring costs and impairment losses that were charged against the fourth quarter and that are described above, earnings for the first quarter were charged with SEK 23 M before tax as a result of the decision made to merge the two Spanish units within Trelleborg Engineered Systems. Net profit for the year was charged with restructuring costs and impairment losses in an amount of SEK 337 M before tax and SEK 304 M after tax, respectively.

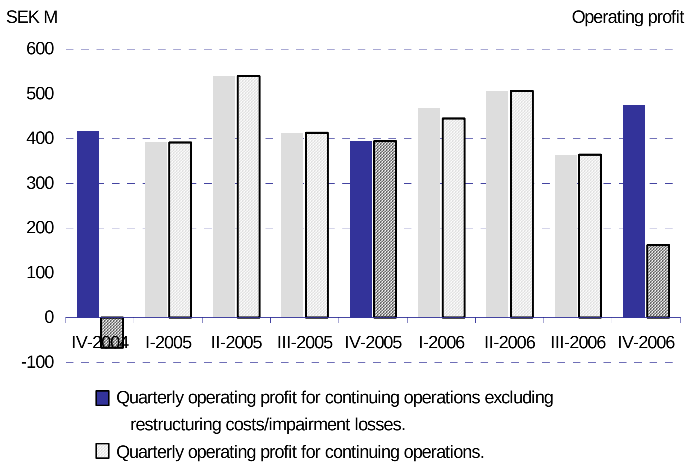
For continuing operations, excluding restructuring costs and impairment losses, operating profit amounted to SEK 1,815 M (1,738). Profit before tax amounted to SEK 1,502 M (1,530), while net profit was SEK 1,067 M (1,152). Earnings per share were SEK 11.65 (12.60). The operating margin amounted to 6.6 percent (7.3) and the EBITDA margin was 10.0 percent (10.8).

Recorded under Divested operations is the sale of the Goodall Rubber Company, which entailed a capital loss totaling SEK 76 M after tax. Included under the same heading is nonrecurring revenue of SEK 80 M deriving from the reversal of the guarantee provision pertaining to the earlier divestment of Bröderna Edstrand.

Balance sheet, cash flow and investments

Consolidated operating cash flow for the fourth quarter demonstrated a highly positive trend and increased by 44 percent to SEK 752 M (521). The operating cash flow for the full year totaled SEK 1,607 M (1,770). The decrease was primarily due to the lower operating profit in Trelleborg Automotive and a rise in tied-up capital in Trelleborg Automotive and Trelleborg Wheel Systems. At year-end, consolidated capital employed was SEK 18,818 M (16,922). The increase was primarily attributable to acquisitions. The Group's non-restricted 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 (net 90.4 million outstanding) amounted to SEK 106 (111.15). The return on shareholders' equity was 7.6 percent (12.5).





Other

Organizational changes

From year-end 2006, an organizational change was implemented, which entailed the merger of the Trelleborg Building Systems business area into the Trelleborg Engineered Systems business area. Trelleborg Building systems will now be included as a part of this business area. Following the merger, Trelleborg Engineered Systems, with Lennart Johansson as Business Area President, will have sales totaling approximately SEK 10 billion and about 7,000 employees. The merger is 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 purchasing coordination within Trelleborg. He will also work with strategic projects at a Group level. Peter Suter will remain a member of Trelleborg Group Management.

This year-end report is based on the new Group structure.

Financial impact of the restructuring measures

At Trelleborg capital markets day in November 2006, the action program for the Automotive, Wheel Systems and Engineered Systems business areas was announced.
The action program within Automotive was derived from the strategic and operational review conducted in the autumn and aims to improve both profitability and the business area's strategic position. For the Wheel Systems business area, the decision was announced to consolidate industrial tire manufacturing to Sri Lanka, with the resulting closure of the plant in Hartville, Ohio. The action program within Engineered Systems pertains to a relocation of production from Ystad to Lithuania, which enables continued profitable growth within the area of protective products. In addition, earnings for the first quarter were charged with costs as a result of the merger of the two Spanish units within Trelleborg Engineered Systems.

The portion charged against earnings in the fourth quarter attributable to the Automotive business area's action program comprised the closure of the plant in Trowbridge, personnel reductions and structural changes within European operations, including at a plant in Mannheim, and the relocation of resources from Western Europe to Eastern Europe.

The costs of the total action program for the Automotive business area are estimated to amount to approximately SEK 875 M before tax and about SEK 700 M after tax. The positive earnings effect is estimated at about SEK 175 M before tax and SEK 115 M after tax at full impact annually. The positive earnings effect of the program is expected to be marginal for 2007.

After end of period: 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. The operation in West Thurrock is included in the Fluid & Acoustic Solutions business unit and manufacturers polymer automotive components, such as sound-absorbing components. About 170 people are employed at the plant, of which 150 will be laid off. 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 and bank balances during 2007-2009. Costs will be mainly charged against earnings in the first quarter of 2007. The positive earnings effect is estimated at about SEK 45 M before tax on a yearly basis, with full impact from 2008.

Impact from restructuring program SEK M	Costs Oct - Dec 2006	Costs Jan - Dec 2006	Additional costs, mainly 07 - 08	Estimated costs, full program	Estimated yearly savings*
Trelleborg Automotive	280	280	595	875	175
Trelleborg Wheel Systems	21	21	9	30	35
Trelleborg Engineered Systems	13	36	-	36	20
Total before tax	**314**	**337**	**604**	**941**	**230**
- whereof cash flow	81	99	361	460	-
Total after tax	**285**	**304**	**451**	**755**	**150**

**after full completion*

Competition matter at US subsidiary

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 Trelleborg subsidiary Trelleborg Engineered Products Inc. 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, possibly as soon as sometime during the first six months of 2007. For the Group in its entirety, the final projected costs are not expected to have more than a limited impact. No provisions have been made to date to cover these costs.

Property sale

In January 2007, Trelleborg signed an agreement with Skanska concerning the sale of land in Södra Hammarbyhamnen in Stockholm. 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 nonrecurring revenue in the first quarter of 2007. The additional purchase price will be reported when the detailed development plan is complete.

Acquisitions

*The Trelleborg Group continues to make acquisitions in line with the Group's strategy of growing within attractive segments with favorable growth and profitability potential, and where the three primary customer needs of **sealing**, **damping** and **protecting** have a principal role. During full-year 2006, the Group completed the acquisition of 11 companies with total sales of approximately SEK 3,200 M and about 2,000 employees.*

During the fourth quarter, Trelleborg completed the acquisition of three operations.
Trelleborg Engineered Systems' acquisition of the US company **Reeves Brothers Inc.** was concluded in October. Reeves has approximately 1,000 employees, annual sales of about SEK 1.4 billion and four production plants, of which two are in the US, one in Italy and one in China. Reeves is a leading international player within the development and manufacturing of polymer-coated high-precision materials from such components as rubber, silicon and polyurethane. The acquisition provides Trelleborg with a world-leading position in polymer-coated fabrics and thereby strengthens what was already a market-leading position in the European market within this area.

Trelleborg's acquisition of the operations in **Hetag Tagmaterialer A/S,** with about 20 employees and annual sales of approximately SEK 100 M, was concluded in November. Hetag Tagmaterialer A/S, which distributes roofing products in the Danish market, is based in Hedensted, Denmark. Trelleborg has also secured an option to acquire, within a year, all of the Hetag Group's roofing operations, with sales totaling approximately SEK 300 M.

In November, Trelleborg Engineered Systems acquired **Hunter Diving Ltd**., based in Dumfries, Scotland. Hunter manufacturers dry diving suits for professional divers who are active in advanced rescue services and the defense forces. Annual sales are slightly less than SEK 10 M and vary depending on project deliveries. Trelleborg intends to relocate manufacturing to the Group's existing operation in Tauragé, Lithuania.

In December, Trelleborg signed an agreement to acquire **Epros GmbH** and **Epros International Ltd.**, with some 30 employees, annual sales totaling approximately SEK 90 M and facilities in Duisburg, Germany, and in St Albans, in the UK. Epros is a niche leader in the after-market for pipe systems, specializing in trenchless repairs. The acquisition was concluded on January 4, 2007.

PARENT COMPANY

Profit before tax in Trelleborg AB, the Parent Company of the Trelleborg Group, amounted to SEK 22 M (loss: 873) for the period January-December. No sales were made. Investments amounted to SEK 4 M (13). The average number of employees was 79 (75)

PROPOSAL TO BE SUBMITTED TO THE ANNUAL GENERAL MEETING ON APRIL 25, 2007

Proposed dividend

The Board and CEO propose that a cash dividend of SEK 6.00 (5.50) per share be paid to shareholders. The Group’s dividend policy is that, in the long term, dividends shall comprise 30-50 percent of the net profit for the year. The proposed dividend, corresponding to a total of approximately SEK 542 M, entails about 71 percent of net profit for 2006 being paid in dividends and 52 percent on net profit for continuing operations excluding restructuring costs and impairment losses.

Proposal for election of new Board of Directors

A Nominations Committee consisting of the Chairman of the Board and representatives of the major owners, corresponding to approximately 65 percent of the votes in Trelleborg, has decided to propose to the Annual General Meeting the re-election of all current Board members.

In addition to the Chairman of the Board, the following persons formed the nominations committee: Didrik Normark of the Henry and Gerda Dunkers Foundation, Ramsay Brufer of Alecta, Lars Öhrstedt of AFA/TFA, Henrik Didner of the Didner & Gerge Mutual Fund and Åsa Nisell of Robur.

OUTLOOK FOR THE FIRST SIX MONTHS OF 2007

For general industry, demand is not expected to decline, while the exceptionally 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.

Outlook from the nine-month report for 2006: Within industry in general, continued good growth is forecast. Demand is expected to remain very strong within the aerospace industry and oil and gas segments. Within automotive-related operations, the announced production cuts, mainly among North American customers, are expected to have an adverse impact. High raw-material prices are expected also in the fourth quarter.

Trelleborg, February 13, 2007
Board of Directors in Trelleborg AB

This report was prepared in accordance with IAS 34 Interim Financial Reporting.
Effective January 1, 2006, Trelleborg AB applies the following changes established by the IASB and approved by the European Commission:
IAS 39 – Financial instruments: Reporting and valuation: 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 would only have 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.
IAS 21 – Effects of changes in foreign exchange rates: Transactions between subsidiaries in a Group can be viewed as an expanded investment in foreign operations. The change expands the number of companies and currencies that may be included in such a hedging transaction. This has not entailed any change for the Group.
In other respects, the same accounting policies and valuation methods are used as those described in the latest Annual Report. This report is unaudited by the Group's auditors. The data presented in the diagrams in this interim report is available in Excel format under Financial Information at www.trelleborg.com.

Invitation to telephone conference, February 13 at 9:30 a.m. CET
A telephone conference will be held on February 13 at 9:30 a.m. CET. Call +44 (0)20 71 62 01 25 and state the password "Trelleborg." Presentation materials will be available at www.trelleborg.com from about 30 minutes prior to the commencement of the conference. The conference will be recorded and will be available for five days following the conference on tel. +44 (0)207-031 40 64, code 736017.

Calendar
Annual General Meeting and interim report for first quarter 2007	*April 25, 2007*
Six-month report 2007	*July 24, 2007*

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Trelleborg Engineered Systems

Significant growth in attractive segments

During the year, the business area increased its sales and earnings significantly. A number of strategic acquisitions, including in the oil/gas-extraction and polymer-coated fabrics segments, and continued focus on selected segments contributed to this positive trend. From the end of 2006, the Group's construction-related operations (Building Systems) are included as part of the business area.

	Oct - Dec		Jan - Dec	
SEK M	2006	2005	2006	2005
excluding restructuring costs and impairment losses				
Net sales	2 692	1 732	9 310	6 671
Operating profit	250	141	805	541
Operating margin (ROS), %	9,2	8,0	8,6	8,0
Operating cash flow	382	162	815	635
Operating cash flow/Operating profit, %	153	115	101	117
including restructuring costs and impairment losses				
Operating profit	237	141	769	541
ROS, %	8,7	8,0	8,2	8,0

To achieve comparability, historic data has been adjusted with regard to:

- transfer of Industrial AVS from Trelleborg Automotive

- the reporting of operations in Goodall Rubber Company under "Discontinued operations" in the income statement.

Additional key ratios on pages 15 - 17

From the end of 2006, the former Trelleborg Building Systems business area is included as part of Trelleborg Engineered Systems (see page 4).

The market trend in the business area's principal markets remained favorable during the fourth quarter. Demand in Europe and North America, where Trelleborg Engineered Systems is active, was stable during the year. The market for project-related infrastructure and offshore products was highly favorable. Demand was particularly strong for products for oil and gas extraction and was in pace with the development of new oil and gas fields and the introduction of new technology. In construction, the Scandinavian market performed well during the year and there was also a favorable trend in the German building market.

Sales grew for both the fourth quarter and the full year. This increase is attributable to growth in all prioritized market segments and the completed acquisitions. The business area's organic growth amounted to 11 percent for the year. Operating profit also rose significantly during the year. Increases in the price of raw materials were offset through pricing, a positive volume/product mix and internal efficiency measures. The business area's cash flow remains excellent.

Orders and deliveries of such proprietary offshore products as Elastopipe® and Trelline® increased during the year. The launch of the wet-room membrane Rubbox® was also successful.

During the year, the North American hose distributor Goodall Rubber Company was divested as part of the focus on prioritized segments.

A total of 11 acquisitions were completed during the year. The acquisition of the CRP Group and Norway's Mehren Rubber adds a complementary range of products, enhanced presence and a strengthened position in the prioritized oil/gas market. The acquisition of the American company Reeves Brothers, combined with Trelleborg's existing product range, established a world-leading position in polymer-coated fabrics. Through the acquisitions of EPG and Kawneer Rubber and Plastics, Trelleborg became a leading American supplier of industrial profiles for the construction industry.
The world-leading position in marine fender systems was further strengthened through the acquisition of Harbour and Marine Engineering, which supplies advanced docking equipment. The acquisition of UAB Trellas' dry diving suits operations, and Hunter Diving in Scotland, which manufactures advanced diving suits, and a relocation of production from Ystad to Lithuania enable continued profitable growth within the protective suits sector. The acquisition of MarCon took the business area into the market for seals for the electronics industry, primarily base stations for mobile telephone systems.

After the end of the period, the business area purchased further shares in a small French joint venture focusing on hose connectors.

In January 2007, the acquisition was also completed of Epros GmbH, with its unique solutions for maintenance of pipe systems. This is an operation that now completes the business area's leading position in pipe seals.

Trelleborg Automotive

Increased presence in markets with competitive cost levels

Sales increased during the year, despite a negative trend in the business area's underlying principal markets. However, there was a strong negative impact as a result of such factors as increased prices for raw materials and continued operational problems in Fluid & Acoustic Solutions. In November 2006, a vigorous action program was launched in the business area.

	Oct - Dec		Jan - Dec	
SEK M	2006	2005	2006	2005
excluding restructuring costs and impairment losses				
Net sales	2 293	2 338	9 493	8 995
Operating profit	31	114	214	471
Operating margin (ROS), %	1,3	4,5	2,1	5,0
Operating cash flow	51	55	145	419
Operating cash flow/Operating profit, %	165	48	68	89
including restructuring costs and impairment losses				
Operating profit	-249	114	-66	471
ROS, %	-10,9	4,5	-0,9	5,0

To achieve comparability, historic data has been adjusted with regard to the transfer of Industrial AVS to Trelleborg Engineered Systems

Additional key ratios on pages 15 - 17

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 driven by increased East European production (+18 percent). The strongest trend was in Asia, where continued rapid development resulted in an increase in car production of about 9 percent. *(Source: JD Powers/Trelleborg).*

Sales increased in 2006, expressed as organic growth, by 5 percent, compared with 2005. The business area had favorable growth in AVS in North and South America and Asia, which offset lower sales in certain segments in Europe. There was a strong decline in operating profit both in the fourth quarter and for the full year. Earnings were adversely affected by increased prices for raw materials and lower volumes in the fourth quarter, as well as reduced efficiency in sections of Fluid & Acoustic Solutions. The AVS business unit continued to develop operations on the basis of its global position, despite challenging conditions in the form of production cutbacks by American subcontractors and historically high costs for raw materials.
Cash flow declined during the year as a result of weak operating profit, a rise in working capital and an increased level of investment, including a new plant in Romania and expanded capacity in India, South Korea and China.

The fourth quarter's net capitalized development costs after depreciation in Trelleborg Automotive amounted to SEK 2 M (28) and SEK 47 M (118) for the full year.

In November, the business area initiated an action program to improve profitability. The program comprises a strategic and an operational review. Within the framework of the program, the closure of two European plants and further rationalization measures in European operations have been announced to date (see page 4).

The business area intensified its presence in markets with competitive cost levels, including the opening of a new plant in Romania. Production commenced there at the beginning of 2007. The business area also strengthened its presence in growth markets by placing in operation a larger plant in India, expanding production capacity in Korea, and through the expansion of manufacturing in Mexico and R&D investments in Wuxi, China.

During the year, NVH solutions for brake manufacturers – complete acoustic systems that include shims and resonance dampers - were launched.

With the aim of transitioning from local optimization to more regional/global optimization of the business area's operations, a new global organization was established during the year and a number of global processes implemented.

Trelleborg Sealing Solutions

Improved product mix, increased sales in aerospace and industry

The business area increased its sales and operating profit during the year. A deliberate strategy of eliminating nonprioritized niches with low profitability in the automotive sector improved the product mix. Investments in North America and Asia continued during the year, resulting in, for example, 20-percent organic growth in Asia.

	Oct - Dec		Jan - Dec	
SEK M	2006	2005	2006	2005
Net sales	1 287	1 288	5 389	5 166
Operating profit	182	160	726	703
Operating margin (ROS), %	14,1	12,1	13,5	13,5
Operating cash flow	259	299	794	710
Operating cash flow/Operating profit, %	142	187	109	101

Additional key ratios on pages 15 - 17

In prioritized industrial segments and the aerospace industry, market conditions for Trelleborg Sealing Solutions 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 the majority of Trelleborg Sealing Solutions' most important countries.

Sales increased somewhat during the year. Trelleborg Sealing Solutions' continued focus on prioritized industrial segments led to increased sales in most of these segments, including the chemical-processing and aerospace industries. At the same time, sales declined in the automotive sector, where unprofitable segments were eliminated, which resulted in an improved product mix for the business area. The new product mix creates long-term opportunities for margin improvements, but also had an adverse effect on efficiency at a number of production units in the automotive-related section of the business area.
The business area increased its presence in Central Europe and Asia, including the opening of a new plant in Shanghai. In Asia, organic growth reached about 20 percent on a yearly basis. Organic growth for the business area in its entirety amounted to 4 percent.

Operating profit rose both in the fourth quarter and for the year as a result of sale increases, strengthened by an improved product mix. Cash flow was particularly strong and was supported by reductions in working capital.

Investments in the production and marketing structures continued during the year, including the establishment of a new European logistics center in Stuttgart.
The presence in Asia was strengthened through the opening of a new unit for development, production and sales in Shanghai and, through relocation and a four-fold increase in capacity at the unit in Bangalore, India. In addition, two new market companies were opened in China and one in Thailand.
New market companies in Hungary and Russia strengthened the business area's presence in Central Europe. In the aerospace segment, presence was intensified in the extremely important North American market with the transfer of operations in TSS Hudson/Chase Walton to a new facility, the aim of which is to increase capacity and customer service. During the year, a growing number of orders were also secured from the aerospace industry, including orders from Spirit Aerospace that will extend over the next five years.

Eight new products were launched during the year, based on, for example, the proprietary patented materials Zurcon®, Turcon® and Isolast®. The new products offer such improvements as increased lifetime, reduced friction, greater performance for the manufacturing processes for food, pharmaceuticals and chemical products, among others.

Further relocation of elastomer production to growth markets in Eastern and Central Europe, Mexico, India and Brazil created the conditions for a long-term, more advantageous cost scenario.

Trelleborg Wheel Systems

Continuous improvement increased productivity and reduced costs

During the year, Trelleborg Wheel Systems increased its sales and earnings. Despite strong rises in costs of materials, the business area succeeded in increasing its operating margin as a result of its deliberate product-mix strategy, price increases and efficiency measures within production and purchasing. A campaign relating to the change of brand in the agricultural tires segment commenced in the second half of the year. In the fourth quarter, it was decided to relocate production of industrial tires from Hartville, Ohio, to the business area's facilities in Sri Lanka.

	Oct - Dec		Jan - Dec	
SEK M	2006	2005	2006	2005
excluding restructuring costs and impairment losses				
Net sales	753	732	3 145	3 023
Operating profit	61	39	243	215
Operating margin (ROS), %	8,1	5,3	7,7	7,1
Operating cash flow	147	38	153	235
Operating cash flow/Operating profit, %	241	97	63	110
including restructuring costs and impairment losses				
Operating profit	40	39	222	215
ROS, %	5,4	5,3	7,1	7,1

Additional key ratios on pages 15 - 17

The European market for agricultural tires declined in units by 2 percent in 2006, compared with 2005, primarily due to a decline in cross-ply tires. There was a continued stable trend for radial tires. Demand for forest tires in Brazil and Southeast 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 in both Agricultural & Forest Tires and Industrial Tires increased during the year. This was the result of a well-implemented product-mix strategy, favorable delivery capacity to the agriculture market and improved conditions in the industrial market, particularly for North America and growth markets. Sales growth in industrial tires in the US was strong as a result of favorable demand among large key customers, but also in the after-market. The business area's organic growth amounted to 5 percent for the year, compared with 2005. Operating profit for the year rose, primarily due to increased sales volumes and gradually improving price levels, as well as increased cost-efficiency that offset the strong rises in materials costs during the year. In the fourth quarter, earnings were also positively impacted by nonrecurring revenues from reduced pension provisions. Cash flow was reduced as a result of higher investments and a temporary accumulation of inventory.

A long-term branding campaign was launched, since the ten-year license for marketing agricultural tires under the Pirelli brand expires in 2010. Accordingly, Trelleborg will be simultaneously phased in as the leading brand in agricultural tires. The campaign costs were charged to earnings during the year in a total of approximately SEK 17 M and will also have a negative impact on earnings in 2007.

Closure of the Trelleborg plant that produced cross-ply agricultural and forestry tires and the transfer of production to contracted manufacturing was completed in the first quarter of 2006 and made a positive contribution to the year's earnings.

During the year, Trelleborg decided to consolidate its industrial tire manufacturing to Sri Lanka. As a result, the closure and transfer of production of industrial tires from the business area's plant in Hartville, Ohio, USA, to Sri Lanka was announced. Production will be transferred successively in 2008. Costs for closure, transfer of production and investments will total approximately SEK 130 M over a three-year period. The investment in Sri Lanka comprises about SEK 100 M, with a large 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. It is anticipated that costs and investments related to the transfer of production will have a repayment period of less than three years, while this will also create a better strategic position for the future. Earnings for the fourth quarter were charged with SEK 21 M relating to production transfer, of which about SEK 16 M affects cash flow.

Financial Reporting

Income Statements

Group SEK M	Oct - Dec 2006	2005	Jan - Dec 2006	2005
Continuing operations				
Net sales	6 945	6 005	27 041	23 509
Cost of goods sold	-5 278	-4 455	-20 328	-17 242
Gross profit	**1 667**	**1 550**	**6 713**	**6 267**
Selling expenses	-545	-487	-2 067	-1 901
Administrative expenses	-644	-651	-2 640	-2 438
Research and development costs	-137	-129	-506	-476
Other operating income/expense	-184	98	-44	253
Profit from part. in assoc. Companies	5	14	22	33
Operating profit	**162**	**395**	**1 478**	**1 738**
Financial income and expenses	-90	-58	-313	-208
Profit before tax	**72**	**337**	**1 165**	**1 530**
Tax	-80	-53	-402	-378
Profit for the period	**-8**	**284**	**763**	**1 152**
Discontinued operations				
Net sales	**-**	**177**	**243**	**661**
Operating profit	**-3**	**14**	**29**	**41**
Profit before tax	**-2**	**13**	**28**	**37**
Profit for the period	**-1**	**9**	**3**	**25**
Total Net sales	**6 945**	**6 182**	**27 284**	**24 170**
Total operating profit	**159**	**409**	**1 507**	**1 779**
Total profit before tax	**70**	**350**	**1 193**	**1 567**
Total profit for the period	**-9**	**293**	**766**	**1 177**
- attributable to minority interest	4	5	15	16
- attributable to equity holders of the parent	-13	288	751	1 161

Earnings per share SEK	Oct - Dec 2006	2005	Jan - Dec 2006	2005
Continuing operations				
Earnings[1)]	-0,15	3,10	8,25	12,60
Diluted earnings[2)]	-0,15	3,10	8,25	12,60
Discontinued operations				
Earnings[1)]	-	0,10	0,05	0,30
Diluted earnings[2)]	-	0,10	0,05	0,30
Total				
Earnings[1)]	-0,15	3,20	8,30	12,90
Diluted earnings[2)]	-0,15	3,20	8,30	12,90
Number of shares				
Excluding own holdings				
End of period	90 357 261	90 357 261	90 357 261	90 357 261
[1)] Average number	90 357 261	90 357 261	90 357 261	90 160 338
End of period after dilution	90 357 261	90 357 261	90 357 261	90 357 261
[2)] Average number after dilution	90 357 261	90 357 261	90 357 261	90 160 338
Treasury shares				
End of period	-	5 623 100	-	5 623 100
Average number	-	5 623 100	3 892 915	5 820 023

Balance Sheets

Group SEK M	Dec 31 2006	Dec 31 2005
Property, plant and equipment	6 008	5 667
Intangible assets	9 535	8 208
Financial assets	1 025	936
Total non-current assets	**16 568**	**14 811**
Inventories	3 604	3 275
Current operating receivables	6 681	6 118
Current interest-bearing receivables	88	93
Cash and cash equivalents	616	663
Total current assets	**10 989**	**10 149**
Total assets	**27 557**	**24 960**
Shareholders' equity, excluding minority share	9 580	10 041
Minority share	107	72
Total equity	**9 687**	**10 113**
Non-current interest-bearing liabilities	6 859	5 891
Other non-current liabilities	1 521	1 276
Total non-current liabilities	**8 380**	**7 167**
Interest-bearing current liabilities	3 225	2 106
Other current liabilities	6 265	5 574
Total current liabilities	**9 490**	**7 680**
Total equity and liabilities	**27 557**	**24 960**

Specification of changes equity SEK M	Dec 31 2006	Dec 31 2005
Attributable to equity holders of the parent		
Opening balance, January 1	10 041	8 475
Adjustment of opening balance of shareholders' equity in accordance with IAS 39, net after tax	-	14
Transfer of treasury shares at exercise of call options	-	78
Cash flow hedges, net after tax	10	-14
Translation difference	-905	1 008
Exchange-rate difference for the period on hedging instruments, net after tax	180	-229
Profit for the period	751	1 161
Dividend	-497	-452
Closing balance	**9 580**	**10 041**
Attributable to minority interest		
Opening balance, January 1	72	128
Acquisitions	26	-102
Translation difference	-5	31
Profit for the period	15	16
Dividend	-1	-1
Closing balance	**107**	**72**
Sum Closing balance, equity	**9 687**	**10 113**

Cash flow statements

SEK M	Oct - Dec 2006	Oct - Dec 2005	Jan - Dec 2006	Jan - Dec 2005
Operating activities				
Operating profit	162	395	1 478	1 738
Adjustments for items not included in cash flow:				
Amortization, intangible assets	32	22	114	65
Depreciation, property, plant and equipment	208	197	803	776
Impairment losses, intangible assets	157	-	157	-
Impairment losses, property, plant and equipment	71	-	81	-
Provision for restructuring costs	76	-	99	-
Undistributed result from part. in assoc. companies	-6	0	12	21
	700	**614**	**2 744**	**2 600**
Interest received and other financial items	2	9	67	26
Interest paid and other financial items	-90	-109	-312	-283
Taxes paid	-163	-130	-320	-393
Cash flow from ongoing operations before changes in working capital	**449**	**384**	**2 179**	**1 950**
Cash flow from changes in working capital:				
Change in inventories	-52	-140	-267	-149
Change in operating receivables	124	129	-512	-92
Change in operating liabilities	331	145	635	197
Utilization of restructuring provisions	-20	-27	-83	-107
Cash flow from ongoing operations	**832**	**491**	**1 952**	**1 799**
Investing activities				
Acquisitions	-1 445	-241	-3 095	-368
Restructuring measures in acquired entities	-8	-16	-41	-63
Disposals*	-	2	175	1
Capital expenditure in intangible assets	-27	-53	-132	-184
Capital expenditure, property, plant and equipment	-366	-196	-980	-689
Sale of non-current assets	38	22	119	87
Cash flow from investing activities	**-1 808**	**-482**	**-3 954**	**-1 216**
Financing activities				
Change in interest-bearing investments	6	-7	-20	-26
Change in interest-bearing liabilities	958	-28	2 520	-23
Dividend paid to shareholders	-	-	-497	-452
Dividend paid to minority	-1	-	-1	-1
Transfer of treasury shares in connection with exercise of call options	-	-	-	78
Cash flow from the financing activities	**963**	**-35**	**2 002**	**-424**
Cash flow for the period	**-13**	**-26**	**0**	**159**
Cash and cash equivalents:				
At beginning of the period	649	678	663	475
Reclassification at beginning of the period	-	-	-	-36
Exchange rate differences	-20	11	-47	65
Cash and cash equivalents at end of period	**616**	**663**	**616**	**663**

** Including cash flow in entities for which an agreement regarding discontinuation has been reached*

Group review, continuing operations

SEK M	Oct - Dec 2006	2005	Jan - Dec 2006	2005
Continuing operations excl restructuring costs and impairment losses				
Net sales	6 945	6 005	27 041	23 509
EBITDA	714	613	2 730	2 579
Operating profit	476	395	1 815	1 738
Profit for the period	279	284	1 067	1 152

				Net sales
SEK M	Oct - Dec 2006	2005	Jan - Dec 2006	2005
Trelleborg Engineered Systems	2 692	1 732	9 310	6 671
Trelleborg Automotive	2 293	2 338	9 493	8 995
Trelleborg Sealing Solutions	1 287	1 288	5 389	5 166
Trelleborg Wheel Systems	753	732	3 145	3 023
Eliminations	-80	-84	-296	-346
Total	**6 945**	**6 005**	**27 041**	**23 509**

				Operating profit before depreciations (EBITDA)
SEK M	Oct - Dec 2006	2005	Jan - Dec 2006	2005
Continuing operations excl restructuring costs				
Trelleborg Engineered Systems	314	195	1 041	742
Trelleborg Automotive	139	206	620	831
Trelleborg Sealing Solutions	224	205	897	875
Trelleborg Wheel Systems	84	62	334	310
Other companies	-2	-1	-8	-9
Group items	-45	-54	-154	-170
Total excluding restructuring costs	**714**	**613**	**2 730**	**2 579**
Restructuring costs				
Trelleborg Engineered Systems	-13	-	-31	-
Trelleborg Automotive	-51	-	-51	-
Trelleborg Wheel Systems	-17	-	-17	-
Total including restructuring costs	**633**	**613**	**2 631**	**2 579**

				EBITDA, %[1]
	Oct - Dec 2006	2005	Jan - Dec 2006	2005
Continuing operations excl restructuring costs				
Trelleborg Engineered Systems	11,5	11,1	11,1	11,0
Trelleborg Automotive	6,0	8,4	6,4	9,0
Trelleborg Sealing Solutions	17,4	15,6	16,6	16,9
Trelleborg Wheel Systems	11,1	8,5	10,6	10,2
Total excluding restructuring costs	**10,2**	**10,0**	**10,0**	**10,8**
Including restructuring costs				
Trelleborg Engineered Systems	11,1	11,1	10,8	11,0
Trelleborg Automotive	3,7	8,4	5,8	9,0
Trelleborg Wheel Systems	8,9	8,5	10,1	10,2
Total including restructuring costs	**9,0**	**10,0**	**9,6**	**10,8**

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

Operating profit SEK M	Oct - Dec 2006	2005	Jan - Dec 2006	2005
Continuing operations excluding restructuring costs and impairment losses				
Trelleborg Engineered Systems	250	141	805	541
Trelleborg Automotive	31	114	214	471
Trelleborg Sealing Solutions	182	160	726	703
Trelleborg Wheel Systems	61	39	243	215
Other companies	-4	-3	-15	-17
Group items	-44	-56	-158	-175
Total excluding restructuring costs and impairment losses	**476**	**395**	**1 815**	**1 738**
Restructuring costs and impairment losses				
Trelleborg Engineered Systems	-13	-	-36	-
Trelleborg Automotive	-280	-	-280	-
Trelleborg Wheel Systems	-21	-	-21	-
Total including restructuring costs and impairment losses	**162**	**395**	**1 478**	**1 738**

Operating margin, (ROS) %[1]	Oct - Dec 2006	2005	Jan - Dec 2006	2005
Continuing operations excluding restructuring costs and impairment losses				
Trelleborg Engineered Systems	9,2	8,0	8,6	8,0
Trelleborg Automotive	1,3	4,5	2,1	5,0
Trelleborg Sealing Solutions	14,1	12,1	13,5	13,5
Trelleborg Wheel Systems	8,1	5,3	7,7	7,1
Total excluding restructuring costs and impairment losses	**6,8**	**6,3**	**6,6**	**7,3**
Including restructuring costs and impairment losses				
Trelleborg Engineered Systems	8,7	8,0	8,2	8,0
Trelleborg Automotive	-10,9	4,5	-0,9	5,0
Trelleborg Wheel Systems	5,4	5,3	7,1	7,1
Total including restructuring costs and impairment losses	**2,3**	**6,3**	**5,4**	**7,3**

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

Return on capital employed, (ROA) %[2]	Jan - Dec 2006	2005
Continuing operations excluding restructuring costs and impairment losses		
Trelleborg Engineered Systems	16,7	18,4
Trelleborg Automotive	4,0	9,1
Trelleborg Sealing Solutions	10,9	10,6
Trelleborg Wheel Systems	16,3	15,3
Total excluding restructuring costs and impairment losses	**9,8**	**10,7**
Including restructuring costs and impairment losses		
Trelleborg Engineered Systems	16,1	18,4
Trelleborg Automotive	-1,2	9,1
Trelleborg Wheel Systems	15,0	15,3
Total including restructuring costs and impairment losses	**8,0**	**10,7**

2) Operating profit in relation to average capital employed.

Capital employed [3] SEK M	Dec 31 2006	Dec 31 2005
Continuing operations		
Trelleborg Engineered Systems	5 920	3 008
Trelleborg Automotive	5 053	5 421
Trelleborg Sealing Solutions	6 374	6 787
Trelleborg Wheel Systems	1 418	1 443
Other companies	129	122
Disposals		259
Group items	19	-37
Provisions for restructuring measures	-95	-81
Total	**18 818**	**16 922**

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

Jan - Dec	EBITDA excluding undistributed result from associated companies		Capital expenditure		Sold fixed assets		Change in working capital		Cash flow report Total cash flow	
SEK M	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 provided for at the time of acquisition									-41	-63
Other restructuring measures									-83	-107
Dividend paid to minority									-	-1
Financial items									-245	-257
Paid tax									-320	-393
Free cash flow									**918**	**949**
Acquisitions									-3 095	-368
Disposals*									175	1
Dividend paid to shareholders									-497	-452
Exercise of warrants and call options									-	78
Sum net cash flow									**-2 499**	**208**

** Including cash flow in entities for which an agreement regarding discontinuation has been reached*

Net debt, opening balance	**-7 236**	**-6 951**
Net cash flow for the period	-2 499	208
Borrowing costs	-2	14
Exchange rate differences	387	-507
Net debt, closing balance	**-9 350**	**-7 236**

Acquisitions, January-December	2006			2005
SEK M	CRP	Reeves	Other	
Purchase price	936	1 319	805	366
Acquisition expenses	20	14	1	2
Net realizable value of acquired assets	276	530	307	77
Goodwill	680	803	499	291
Acquired assets and liabilities:				
Property, plant and equipment	185	438	100	25
Intangible assets	2	52	-	15
Deferred tax	18	20	-	11
Associated companies	-	-	-1	3
Other shares	-	7	-	0
Operating assets	383	552	173	86
Cash and cash equivalents	20	60	71	11
Minority share	-	-27	102	0
Operating liabilities	-312	-512	-67	-63
	296	590	378	88
Cash and cash equivalents	-20	-60	-71	-11
Total	276	530	307	77
Profit for the period	115	-1	31	
Profit for the period in acquired entities January - December	115	15	55	

**The carrying amount for goodwill attributable to the acquisition of Reeves, SEK 803 M, pertains to the total surplus value in intangible assets. The amount will be reallocated during 2007.*