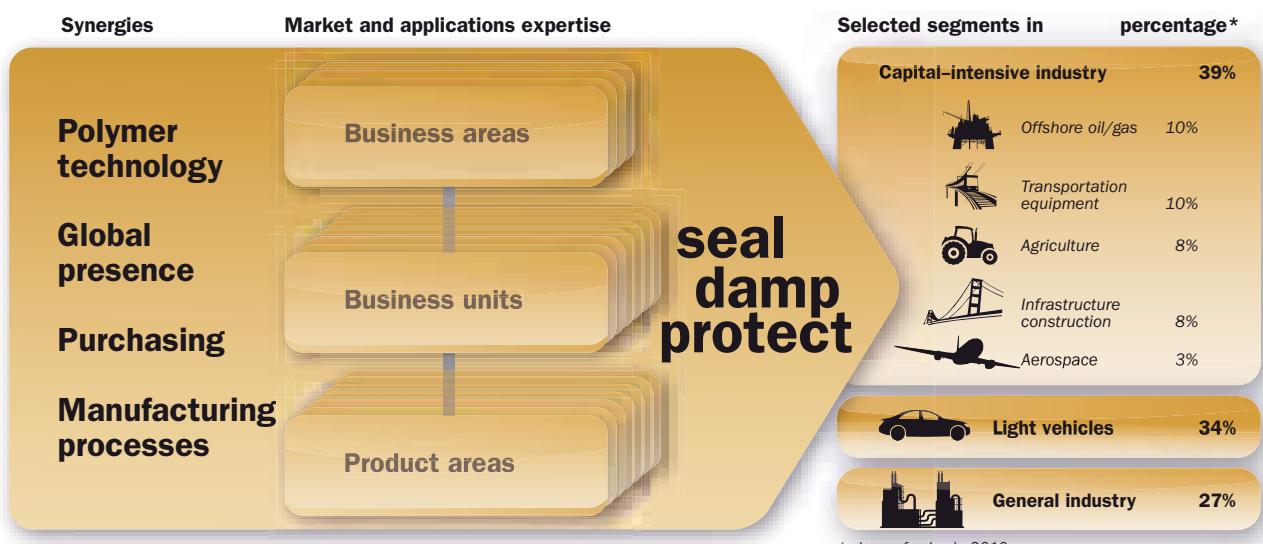


CREATING VALUE THROUGH  
OUR ABILITY TO  
**SEAL, DAMP**  
**PROTECT** AND  
IN DEMANDING  
ENVIRONMENTS

# Global leader in polymer technology

The Trelleborg brand is well recognized throughout the world in a range of different market segments. It represents Trelleborg's promise and offering; innovative and reliable solutions that seal, damp and protect in demanding industrial environments. Based on advanced polymer technology and in-depth application know-how, we strive to give our customers something they cannot get from others. This is what we have done for more than 100 years.



## ► Trelleborg's strategic cornerstones

- Improve structure and geographic balance
- Excellence in all aspects
- Continued portfolio management for growth and improved positions

## This makes us different

- Leading positions in selected segments – achieved through:
  - Unique applications expertise
  - Global presence – local knowledge
  - Focus on solving customer needs
  - Intrapreneurship
  - Development of the best talents

## ► Business areas:



**Trelleborg Engineered Systems**  
Engineered solutions that focus on the sealing, protection and safety of investments, processes and individuals in demanding environments.



**Trelleborg Automotive**  
Polymer-based components and systems used for noise and vibration damping for passenger cars and light and heavy trucks.



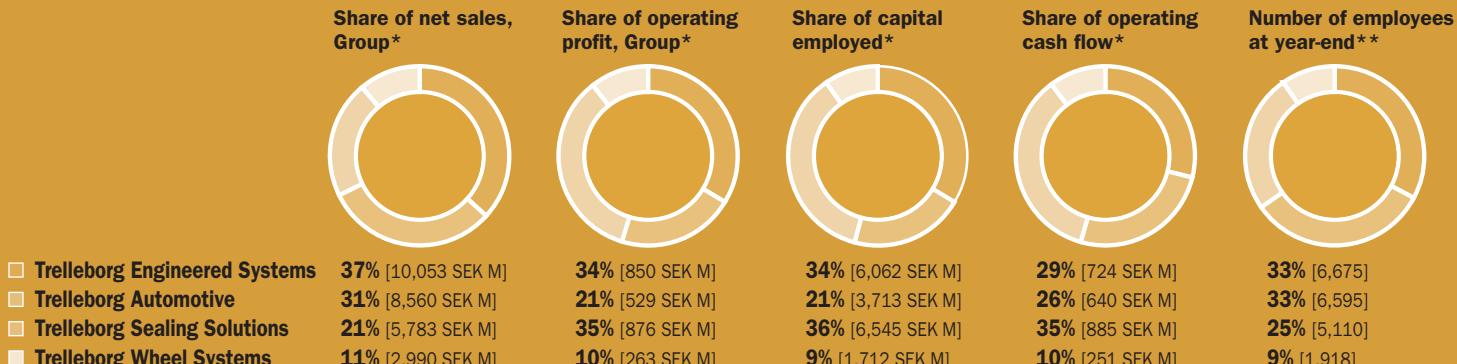
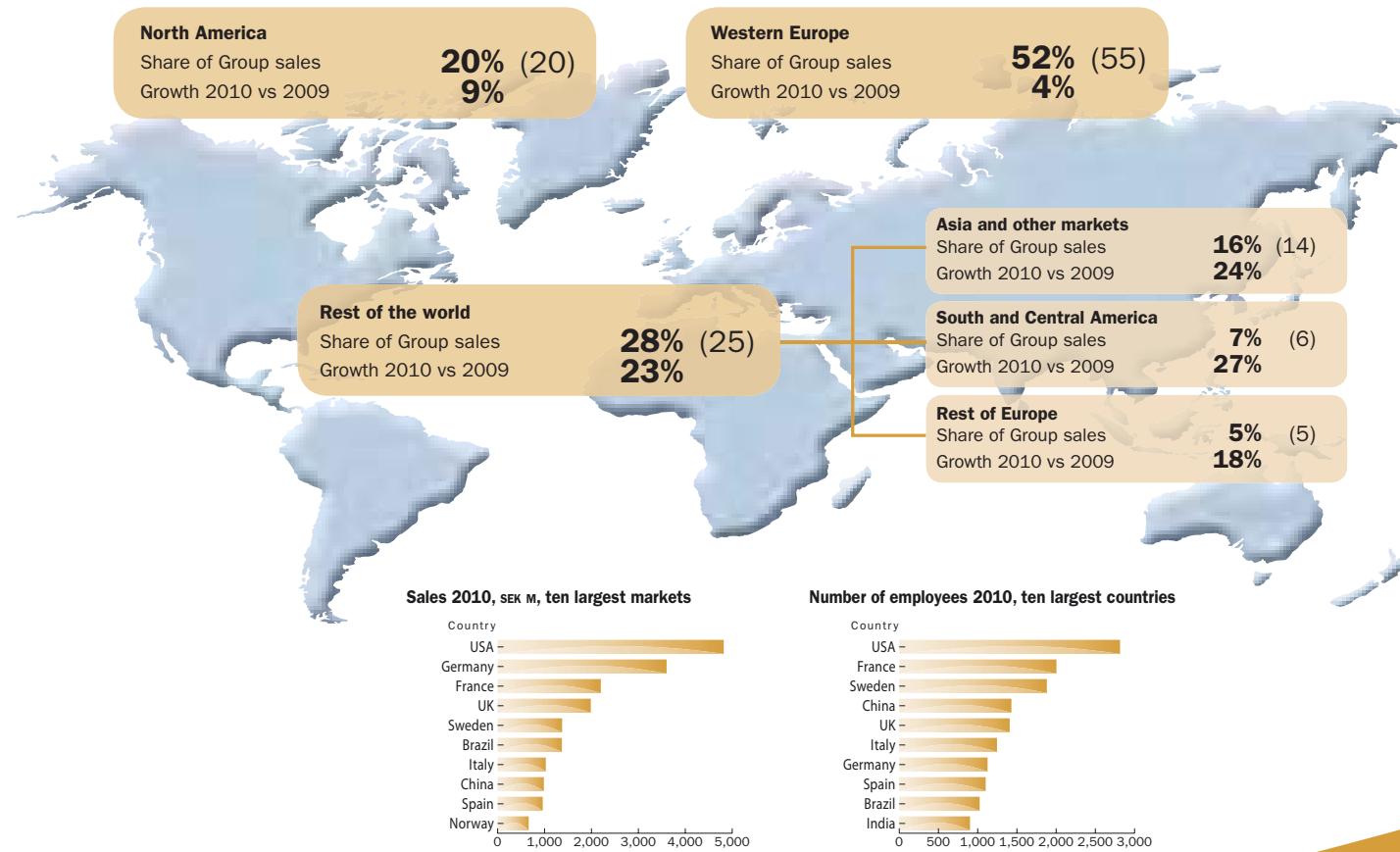
**Trelleborg Sealing Solutions**  
Safety-critical precision seals for the industrial, aerospace and automotive markets, among others.



**Trelleborg Wheel Systems**  
Tires and complete wheel systems for agricultural and forest machinery, forklift trucks and other materials-handling vehicles.

- **Founded in 1905**
- **Sales in 2010: SEK 27,196 M**
- **Employees at year-end 2010: 20,393**
- **Operations in 43 countries**
- **Listed on the Stockholm Stock Exchange since 1964**
- **Head office in Trelleborg, Sweden**

#### Trelleborg Group's geographic distribution of net sales in 2010 (2009)



\*) Relates to continuing operations excluding Group-wide costs/items.

\*\*) Including insourced staff and temporary employees. For the average number of employees, refer to Note 3, pages 85-86. For the average number of employees per country, see page 111.

2010 in brief .....	1
President and CEO Peter Nilsson .....	2

**OUR OPERATIONS**

<b>Business overview</b>	<b>6-23</b>
Seal, damp, protect .....	6
Seal .....	8
Damp .....	10
Protect .....	12
Our market .....	14
Business model – Our strategy.....	16
Excellence .....	17
Growth.....	18
Innovation.....	20
Financial targets.....	21
The Group in brief.....	22
<b>Business areas</b>	<b>24-31</b>
Trelleborg Engineered Systems .....	24
Trelleborg Automotive .....	26
Trelleborg Sealing Solutions .....	28
Trelleborg Wheel Systems .....	30

**GOVERNANCE AND RESPONSIBILITY**

<b>Risk management</b>	<b>34-39</b>
Strategic and operational risk management.....	35
Financial risk management .....	37
<b>Corporate Governance Report</b>	<b>40-51</b>
Foreword by the Chairman of the Board.....	40
Corporate governance.....	41
Board of Directors .....	44
Group Management .....	46
Overview of governance in the Trelleborg Group .....	48
Report by the Board of Directors on Internal Control ..	50
<b>Corporate Responsibility</b>	<b>52-65</b>
Foreword by the President and CEO .....	52
Corporate Responsibility .....	53
Target indicators, outcome and progress 2010 .....	54
Active stakeholder dialog .....	55
Environmental responsibility.....	56
Responsibility for employees and the workplace .....	58
Responsibility for customers and suppliers .....	60
Responsibility for society and the community .....	62
Index.....	64
Assurance report.....	65

**OUR FINANCES**

Comments on the consolidated income statements..	68
Consolidated income statements .....	69
Comments on the consolidated balance sheets.....	74
Consolidated balance sheets .....	75
Comments on the consolidated cash-flow statements.	77
Consolidated cash-flow statements.....	78
Notes – Group.....	79-95
Parent Company income and cash-flow statements ....	96
Parent Company balance sheets.....	97
Parent Company notes.....	98-100
Proposed treatment of unappropriated earnings .....	101
Audit report .....	102
Ten-year overview .....	103
The Trelleborg share .....	104

www.trelleborg.com .....	106
Annual General Meeting 2011.....	107
Financial definitions and glossary .....	108
Index – quick guide.....	109
Addresses and financial information .....	110
The world of Trelleborg.....	111

**THE YEAR IN BRIEF** .....

This symbol indicates that additional information is available at [www.trelleborg.com](http://www.trelleborg.com).

Trelleborg AB is a public limited liability company. Corporate registration number: 556006-3421. The Group's headquarters are in Trelleborg, Sweden. This is a translation of the company's definitive Annual Report for 2010 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 2009 fiscal year.

All figures in the section "Our operations" relate to continuing operations, unless otherwise stated.

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.

**Audited Annual Report**, pages 5-51 and 67-105.

**Assured Corporate Responsibility Report**, pages 52-65.

**Index with reference to Global Reporting Initiative (GRI):** An indicator in parentheses signifies a partially reported indicator. Indicator categories: EC=Economic, EN=Environmental, LA=Labor practices and decent work, HR=Human rights, SO=Society, PR=Product responsibility.

"Governance EC, EN, LA, HR, SO, PR" entails reporting of the indicator "Disclosures on Management Approach".

# 2010\*

## Organic growth and net sales



Target: organic growth over an economic cycle 5%.

## EBITDA



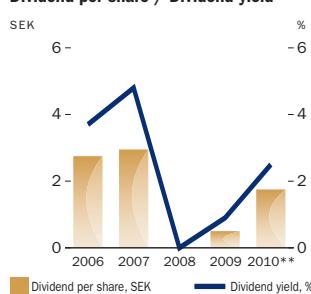
Target: EBITDA margin  $\geq 12\%$ .

## Return on shareholders' equity



Target: return on shareholders' equity 12%.

## Dividend per share / Dividend yield



\*\* Board's proposal to Annual General Meeting

Dividend policy: in the long-term, the dividend shall amount to 30-50% of the net profit for the year.

■ **Net sales** amounted to SEK 27,196 M (24,769).

**27,196** SEK M

■ **Consolidated operating profit** increased to SEK 2,036 M (734), including items affecting comparability amounting to an expense of SEK 250 M (expense: 354).

**2,036** SEK M

■ **Operating margin** including items affecting comparability was 7.4 percent (2.9).

**7.4** %

■ **EBITDA margin** excluding items affecting comparability amounted to 12.1 percent (8.7).

**12.1** %

■ **Operating cash flow** remained strong and amounted to SEK 2,190 M (3,040). Free cash flow was SEK 1,173 M (1,699).

**2,190** SEK M

■ **Proposed dividend of SEK 1.75 (0.50).**

The Board and the President propose that a dividend of SEK 1.75 per share be paid for 2010.

**1.75** SEK

■ **Continued geographic shift** toward countries outside Western Europe and North America. In 2010, sales outside these markets increased 23 percent compared with the preceding year. New plants were opened in China and Brazil during the year.

■ **Continued focus on attractive segments** through acquisitions and divestments.

■ **Events after the reporting period: Letter of intent signed with Freudenberg to build a global leader in antivibration solutions.**

In January 2011, Trelleborg and Freudenberg signed a letter of intent to form a 50/50 joint venture in antivibration solutions for light and heavy vehicles. The joint venture will consist of Trelleborg Automotive's operations in antivibration solutions and Freudenberg's corresponding activities, Vibracoustic. Total annual sales are estimated at approximately SEK 12 billion, with 8,100 employees in 17 countries.

\* Continuing operations



Fiscal 2010 was successful for Trelleborg. Our strategies and action programs had a favorable impact on profits and profitability when the global recovery gained momentum after the deep economic downturn. We achieved our financial target of an EBITDA margin of 12 percent. We accelerated the pace in our journey toward leading positions in profitable segments and a more substantial presence in the fastest growing markets. This provides us with a solid foundation for continued favourable growth. We continue to emphasize the importance of competitive cost levels, excellence in implementation and financial strength as a stable platform for more value-generating investments and business transactions. Consistent work over the past five years has laid the foundation for a continued shift toward better positions in the future.

#### **A short review of the past year shows that:**

- Sales amounted to SEK 27,196 M, corresponding to an increase of 10 percent. Consequently, we are returning to the levels prior to the sharp decline in 2009. It is a quality recovery and is primarily occurring in our prioritized markets, that is, the rapidly growing economies outside Europe and North America. Moreover, it is taking place in segments in which our aim is to grow, with high-value products in profitable niches where we can be market leader. Furthermore, we are capturing market shares.

- Operating profit rose to SEK 2,036 M and the operating margin was 7.4 percent. The strong improvement was due, in part, to our long-term investments in an improved structure and effective operational governance when the crisis took hold in 2008. We adapted capacity, drove the implementation of ongoing efficiency programs forward and invested in the most valuable businesses and customers. Lower cost levels and continued improvement in the production and marketing structure subsequently resulted

in a positive impact on earnings when volumes accelerated.

- Operating cash flow was slightly more than SEK 2 billion. The continued healthy cash flow was attributable to the significant improvements in operating profit and our more effective management of working capital. In recent years, we have generated good cash flow while also experiencing robust growth. Our financial strength allows us freedom of action moving forward.

**To sum up**, our efforts resulted in organic growth of 17 percent. We achieved our EBITDA margin target of 12 percent and we are close to achieving our goal of a 12-percent return on shareholders' equity.

What are the underlying driving forces and strategies behind these developments? To answer this question, I would like to take a brief look back at the five years I have been President and CEO.

In 2005, Trelleborg was still somewhat diversified with potential for operational improvements and on the road back to its roots in polymer material expertise. This know-how is the foundation of the business concept that states that Trelle-

borg shall develop innovative and reliable solutions that seal, damp and protect in demanding industrial environments. Trelleborg's competitive advantages include the combination of world-leading polymer technology and a unique applications know-how.

**Recent years** have seen the Group strengthen its future competitiveness and its ability to deliver value to customers, shareholders and other stakeholders. This is achieved through a number of processes that primarily emphasize our adaptability to the constant changes in our operating environment, so that increasingly more customers like us and more and more shareholders believe in us.

These efforts have been carried out in a turbulent period in the world economy, with rapid globalization and one of the deepest crises since the Second World War.

The work with change encompasses the entire strategic and operative register. Our priorities stand in focus:

- **Leading positions in selected segments** is at the core of the Group's growth and profitability development.

Although we command a leading position among global industrial rubber companies, the positions in the individual sub-areas are more important. We move resources from mature to growing segments that provide the greatest return on our allocation of resources. We work extensively with innovation, product development, marketing initiatives and customer collaboration to achieve organic growth, but also with the complementary acquisition and divestment of businesses. We focus on the niches in the automotive and engineering industries where we have global competitive advantages and establish ourselves more deeply in growing industries, including oil and gas, food, aerospace, transport, infrastructure and agriculture.

In recent years, we have implemented a number of structural measures – a move that should have been taken earlier. We will not repeat earlier mistakes, but now continue to ensure continuous change. In 2010 and in early 2011, we have accelerated developments and, among other activities, we divested the roofing operation and

unrivalled geographic coverage and the broadest product portfolio in antivibration solutions and we will create an efficient structure in a fragmented market. I view this as an excellent value-generating solution for Trelleborg, our customers and our shareholders. It provides us with the best opportunity for advancing the antivibration operation, while it also enables us to concentrate on developing the other parts of Trelleborg.

**■ Developing global positions.** We are increasing our presence in markets outside North America and Western Europe. The underlying drivers are the need to be located close to customers in growing and profitable segments, and to accompany customers in their own globalization. Since 2005, we have divested, moved or closed more than 30 production units in North America and Western Europe. In parallel, we have established or substantially upgraded 15 units outside these regions. Sales have also undergone significant globalization. Western Europe's share of total sales has

purchasing and sales. We put extra effort into our management of working capital with the aim of strengthening cash flow. This has yielded results.

In 2011, we will focus more intently on developing our sales processes to increase interaction with our customers and generate greater customer value.

**We now possess** the resources to be proactive in the structural change that our fragmented industry is undergoing and thus consolidate our global position.

However, without skilled individuals in our organization, we will make no progress. Our culture differentiates us through focus on a high level of responsibility and performance in a global environment. One central task that I have is to contribute to the ongoing development of the Group's long-term competence and culture, and to provide scope for driven intrapreneurs who create value for our customers. And we will continue to be a multicultural company with many nationalities and a local base in the countries we operate.

**The outlook is favorable for 2011.** We have a stable foundation that provides scope for action. Demand is forecast to continue to rise at a healthy pace in the emerging economies, stronger growth is forecast in North America, while the trend is fragmented in Western Europe. The global economy continues to benefit from low interest rates and substantial fiscal stimulus packages that will continue with declining strength toward the end of the year. However, certain factors exist that create uncertainty in the form of increased inflation, particularly rising prices for raw materials, political unrest in parts of the world and the risk of financial uncertainty due to the continuing strained state of government finances in a number of countries. If these risks can be held in check, I foresee favorable conditions for increased growth and improved earnings.

In conclusion, I would like to thank all my colleagues for their fine achievements that have yielded strong results, and our shareholders for their support and confidence. We have good reason to maintain high expectations for our initiatives moving forward and all of us at Trelleborg will do everything in our power to realize them.

Trelleborg, February 2011  
Peter Nilsson, President and CEO

**“To sum up, our efforts resulted in organic growth of 17 percent, we achieved our EBITDA margin target of 12 percent and we are close to achieving our goal of a 12-percent return on shareholders' equity.”**

the hoses for light vehicles operation. Meanwhile, we advanced positions in highly profitable segments of rapidly growing markets in China, India, Brazil and Russia through investments and acquisitions.

A more substantial journey of change has been initiated for the Group through the signing of a letter of intent with Freudenberg at the start of 2011. The letter related to the merger of our respective antivibration operations in a joint venture. Our aim is to have the new company operational in 2011. With this move, we will build a global leader and create a platform for future growth. We will be able to offer car manufacturers across the globe

declined from 66 percent to 52 percent, due primarily to a shift toward Asia. This trend will continue. It is not unreasonable to aim for a balance between Western Europe and emerging markets of 40 percent each in five years, with the remaining stable portion in North America.

**■ Excellence in all that we do.** Our continuous improvement is a basic driving force that not only applies to the quality of our day-to-day operations, but also involves connecting structural and operative measures to realize global processes and synergies.

We drive excellence in various processes, including manufacturing,



Some call it a safe harbor.  
**We call it Trelleborg.**

► **From bow to stern.** Safety is key when natural gas, oil and other materials are transferred ship-to-ship, using offshore platforms or in harbors. Integrated marine solutions from Trelleborg offer advanced, intelligent mooring and fender solutions such as laser docking and GPS berthing aids. Innovations designed to protect people, structures and the environment.

# OUR OPERATIONS

6-31

<b>Business overview</b>	<b>6-23</b>
Seal, damp, protect .....	6
Seal .....	8
Damp .....	10
Protect .....	12
Our market .....	14
Business Model – our strategy .....	16
Excellence .....	17
Growth .....	18
Innovation .....	20
Financial targets .....	21
The Group in brief.....	22
<b>Business areas</b>	<b>24-31</b>
Trelleborg Engineered Systems .....	24
Trelleborg Automotive .....	26
Trelleborg Sealing Solutions .....	28
Trelleborg Wheel Systems .....	30

# We seal, damp and protect in demanding industrial environments throughout the world

Every day you use a product in which polymers (rubbers and plastics) seal, damp or protect – often without even realizing it! The newspaper you read is printed on a polymer-coated roller, the car in which you travel has polymer components to ensure that the journey is as comfortable as possible, the tunnel that you drive through is sealed with polymer seals, the watch you wear has tiny polymer seals that protect it from moisture and dust. The list is endless and demonstrates how polymers surround us and play a crucial role in many functions.

## Global trends that drive Trelleborg's business

The world is changing at an increasing pace. A number of global megatrends lie behind this trend. In parallel, individual general driving forces exist in the segments in which Trelleborg is active. Trelleborg is well placed for future profitable growth in line with these trends.

### A growing, but more polarized, global economy

- Globalization – increased global trading as a result of borderless cooperation and technology development.
- Emerging economies in Asia and South America continue to gain ground – robust investments in infrastructure.
- Western Europe and North America present lower rate of growth – more mature markets of significant size.

### A global population structure undergoing change

- Generally high population growth – especially in developing countries.
- Higher life expectancy and improved standard of living – better quality of healthcare and food.
- Emergence of sizable middle class in growth countries – future consumers.
- Continued urbanization – greater requirements placed on infrastructure and more efficient resource utilization.

### Need for increased efficiency in the utilization of energy and natural resources

- Limited access to natural resources – economic growth boosts demand for raw materials.
- Focus on tomorrow's energy – investments in extraction and development of alternative fuels.
- Greater global commitment to minimizing the environmental and climate impact – development of sustainable technologies.

## Our strength

Our strength is based on an unparalleled material. Rubber provides unique properties for sealing, damping and protecting in a wide variety of contexts. There are many different types of rubber and closely-related materials, which, by using various types of additives, can be given greatly differing properties. The additives and combinations with other materials, such as metal, textiles and plastics, determine the character of the end products. For example, a hose to protect against corrosive chemicals, seals to cope with extreme temperature fluctuations or a material that damps noise and vibrations in a noisy industrial environment.

## Our aim

We strive to give our customers something that they cannot get from others. We offer high-tech solutions that meet three primary customer needs: to seal, damp and protect. Functions that are vital for customers in numerous industrial segments. Through advanced polymer technology and in-depth applications know-how, Trelleborg develops products and solutions designed to meet specific needs in close collaboration with customers. These can involve seals in machinery and aircraft, damping bearings in bridges and trains, protecting oil platforms, hoses for the food industry and antivibration components in vehicles.

## Our difference

We have a culture and values that separate us from others. Innovative solutions are created in an innovative corporate culture. We lead through a decentralized organization that encourages all employees to assume responsibility for our company and our business environment. Our objective is to create a high-performance culture in a global environment through shared values and target-oriented leadership. Our basic values are summarized in the four guiding principles: *customer focus, performance, innovation and responsibility*.

## ► Trends in segments in which Trelleborg is active

### Capital-intensive industry, 39%



#### Offshore oil & gas, 10%

- Greater global energy requirement combined with higher raw material prices lead to major investments in new exploration (Brazil and Western Africa) and increased maintenance (Gulf of Mexico and North Sea).



#### Transportation equipment, 10%

- Increase in international trade gives rise to investments in more efficient materials handling.



#### Agriculture, 8%

- Larger farms require increased investments in larger tractors/tires, in parallel with the rapid mechanization of agriculture in growth countries.



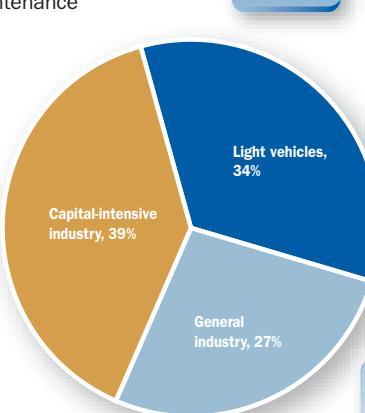
#### Infrastructure construction, 8%

- Neglected investments, urbanization and the economic trend in growth markets are driving expansion in roads, railways, aerospace, harbors, etc.



#### Aerospace, 3%

- Upgrade of civil and commercial fleets due to growth in traffic, more operationally efficient technology and stricter environmental requirements.



### Light vehicles, 34%



#### Light vehicles, 34%

- Globalization and consolidation at the customer level – greater geographical presence among sub-suppliers in addition to shared platforms.
- Stricter environmental requirements – development of alternative fuels and lighter/less expensive materials.
- Continued healthy growth in Asia, mainly China and India – substantial domestic market and cost-efficient exports.
- Demand for greater comfort – high-technology solutions in antivibration and damping.



### General industry, 27%

- Geographical markets with high growth – such as Brazil, Russia, India, China, Vietnam, Indonesia, South Africa, Thailand, Argentina, the Middle East and North Africa.
- Certain sub-segments have a particularly bright future – such as energy, food and pharmaceuticals/healthcare.



## Seal

Trelleborg creates customized sealing solutions for a large number of different applications. Regardless of whether the requirement involves high durability, extreme temperature differences or exact precision, Trelleborg can offer world-leading sealing solutions.

### Moving mountains

Hundreds of excavators around the world operate under extreme conditions. The stresses and strains on the piston rings and hydraulic seals are severe. They must function continuously to ensure that the operations of construction and mining companies are as efficient as possible. If, despite everything, something should cease working, Trelleborg works intensively in collaboration with its customers to rapidly and efficiently deliver original spare parts. The service is available seven days a week to ensure that any possible downtime is as brief as possible.



**From take-off to landing** The undercarriage is one of the most exposed parts of an airplane. No margins for error exist here and efficient seals are crucial. Working conditions for undercarriages are tough – taxiing on uneven surfaces, powerful acceleration, and vibration during take-off, external temperature differences, hard landings and stresses from the shock absorbers. This is everyday life for Trelleborg's specially developed polymer seals for undercarriages that provide airlines around the globe with lasting performance and passengers with safe takeoffs and landings.

### Ready for tomorrow's fuels

Ethanol, biodiesel and hydrogen are becoming increasingly common. Irrespective of form, handling these new fuels poses considerable challenges. For example, hydrogen is a liquid propellant that becomes explosive on contact with oxygen. Additionally, biofuel places stresses on engines, fuel and exhaust systems. Through extensive research and testing, Trelleborg has developed polymer sealing solutions incorporating resistant qualities. Precision seals that protect people and the environment.



### A sealed and safe passage

Coatzacoalcos, which flows into the Gulf of Mexico, means where the snake hides. Soon, something else will be hiding in the river – an 830-meter-long immersed road tunnel that connects the two river banks. High water pressure and the risk of severe seismic earth movements require durable and flexible tunnel gaskets. Specially designed giant rubber seals and waterstops engineered by Trelleborg will keep the hidden passage safe and dry.



### A clean challenge



Today, the production of foodstuffs and food is subject to strict hygiene requirements. The production processes are continually cleaned at high temperatures with aggressive chemicals. The seals must therefore be designed to tolerate these cleaning processes and concurrently not transmit any foreign substances to foodstuffs or beverages. A clean challenge, but one that Trelleborg's elastomeric products can handle.

# DAMP



## Damp

Noise and vibrations in our daily life have become an increasingly large problem. Consequently, high-performance antivibration products and noise-damping solutions are required to protect people and materials. Trelleborg's engineers are continuously developing new, innovative solutions for noise and vibration damping.

People are becoming increasingly sensitive to noise and vibration. Meanwhile, motors, computer components and other items are designed in lighter material, such as aluminum. This creates a tricky equation, since lighter materials transmit considerably more noise and vibration. To resolve this problem, material resonances are scanned by laser in advanced laboratories and the source is then identified in just a few moments. The problem is eliminated through use of Trelleborg's patented ADM (Applied Damping Material), which is a unique sandwich construction of thin steel plates and rubber that dampens sound and vibration.

### A quieter world

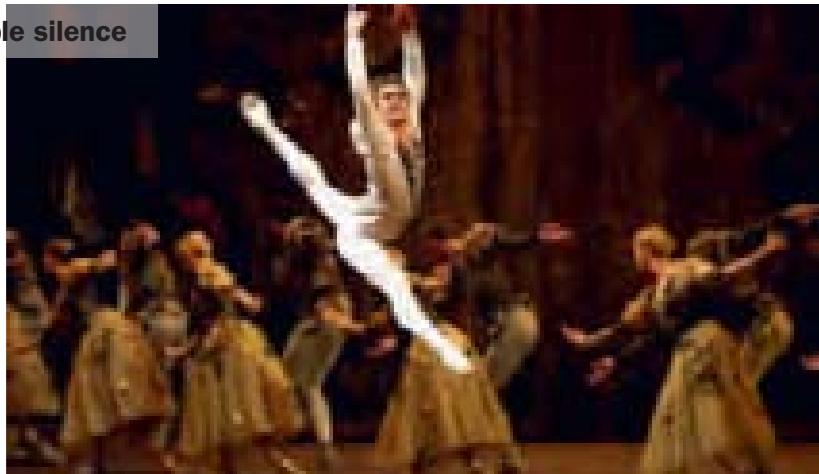


**In safe harbor**

Shipping over the world's oceans is increasing. The cargoes carried by vessels are becoming increasingly sensitive, which in turn places higher demands on safety. Trelleborg's advanced fender systems dampen when ships are moored in harbors across the globe. The system can handle advanced parallel motions, which means that the forces during loading and unloading can be reduced by more than 50 percent. The system was originally developed to handle sensitive material, such as LNG and oil, but is today also utilized by RORO berths, container terminals and in many other applications, which improves productivity and reduces the number of breakdowns.

**Greatest possible silence**

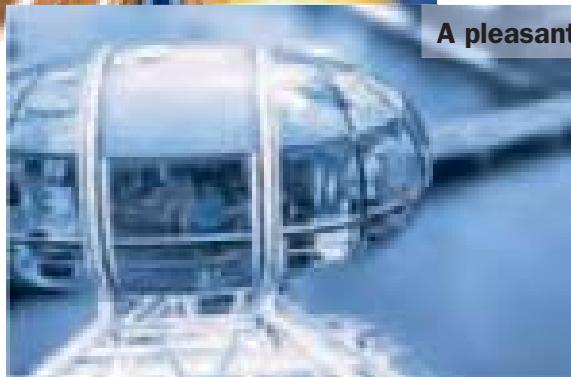
The main building of the Bolshoi Theatre in Moscow was built in 1824. It has space for an audience of 2,000 and has undergone several renovations over the years, but none so extensive as the renovation that has been ongoing since 2005. To improve the theatre's acoustics, Trelleborg has delivered vibration-damping bearings. A beautiful example of sophisticated technology and exquisite art working in harmony.

**Smooth running in Hong Kong**

Every weekday, 3.7 million people travel by rail in Hong Kong, which is considered to have one of the world's safest and most efficient railway systems. However, the risk of vibration increases in pace with rising demands for speed. Durable rubber suspension springs from Trelleborg dampen wheel movements to ensure the journey is as comfortable as possible. In addition, damping rubber insulation in the platforms protects people and buildings from damaging vibration and noise.

**A pleasant flight**

The London Eye stands on the south side of the River Thames and is the world's highest observation wheel. Each day, 15,000 passengers are taken on a panorama tour. The gigantic wheel is constructed like a bicycle wheel, hanging from a trestle that is held in place by tensioned cables. The wheel is driven from a platform on the ground where guide bearings from Trelleborg guarantee correct positioning and prevent the construction from moving horizontally. If any movement occurs, Trelleborg's suspension system in natural rubber and steel compensates and ensures that the "flight" is as comfortable as possible.



# PROTECT

## Protect

Throughout the world, more and more resources are needed to protect against such threats as flooding, fires and other disasters. Whether it involves preventing leakage or protecting against fire, corrosive fluids and material, gases or forces of nature, Trelleborg's polymer-based solutions play a crucial role.

### Rapid installation for long-term safety

Safety is paramount in offshore oil and gas extraction. Trelleborg has developed Elastopipe™, a sprinkler system with polymer piping, which acts as fire protection. Elastopipe can withstand both impact and fire (1,400°C for one hour). The system offers protection for 30 years with minimal maintenance unlike other similar systems that use, for example, steel piping that may corrode after only a few years. Its light weight and flexibility combined with the ease at which it can be cut means that it can be quickly installed, thus reducing costly downtime.





**Floating under water** Hundreds of kilometers out to sea, gigantic drills are working to find oil, often at depths in excess of 3,000 meters. The hydrostatic pressure is enormous and powerful currents and constantly changing conditions make work difficult. In this extremely inhospitable and dangerous environment, heavy, kilometer-long oil hoses in steel comprise the link between the rig and the equipment on the seabed. Therefore, the hoses are equipped with specially developed buoyancy modules of synthetic foam from Trelleborg – a market-leading solution that makes the entire process reliable and feasible.

### Protecting Saint Petersburg

Every year, Saint Petersburg, the cultural capital of Russia, is flooded when storms raise the waters of the Narva river by several meters. To protect the inhabitants of the city and the city's national treasures, a 25-kilometer storm surge barrier is being built with six locks. The barrier forms part of a new ring road around the city, with a traffic tunnel 17 meters under the locks. Between the enormous tunnel sections, a unique sealing system is being mounted from Trelleborg that prevents water from leaking in despite the enormous pressure and temperature differences and a certain amount of movement between the sections. The 40-meter-wide seals must hold for hundreds of years.



### Genuine earth power

In the Italian countryside, everything from cereal crops and olives to grapes and sugar beet is grown. Here, just as it is for farmers around the world, performance and flexibility are in focus. Therefore, many tractors and combine harvesters operate using a new generation of agricultural tire, specially developed for the grower and the earth. The radial tire from Trelleborg is not just ideal in terms of its stability, grip and heavy-load capacity, it also protects the earth from damage. Modern technology for the benefit of one of our most important elements – the earth.

### ▶ See the film



You can see more examples of how we seal, damp and protect in demanding environments at [www.trelleborg.com/en/The-Group/Om-Trelleborg](http://www.trelleborg.com/en/The-Group/Om-Trelleborg)

WWW

# A market undergoing continuous change

Trelleborg is a world leader in products and solutions based on advanced polymer technology. Polymers are some of the most durable and multifaceted materials in existence. In principle, their unique qualities make it possible to seal, damp and protect just about anywhere.

Currently, Trelleborg Group's sales are comprised of approximately 90 percent industrial rubber products and about 10 percent special tires, that is, agricultural and industrial tires.

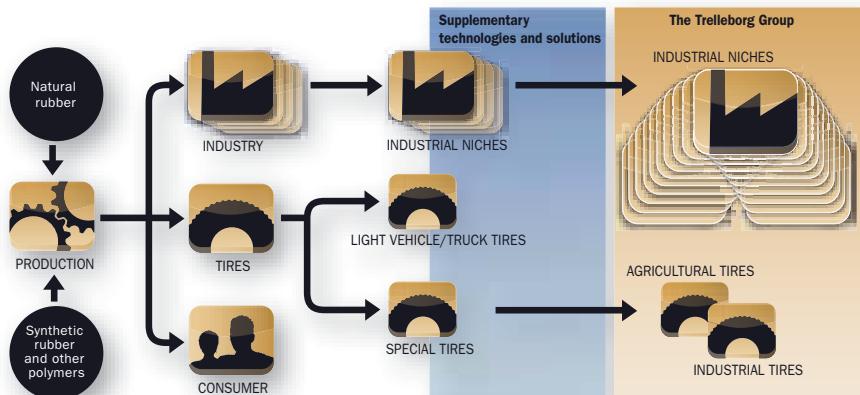
The industrial rubber market comprises product areas including antivibration, hoses and seals, but does not include the market for tires. The industrial rubber market is fragmented, although a gradual process of consolidation is under way. Trelleborg plays an active role in this process.

The industrial rubber market is highly diversified and encompasses several different market segments. Trelleborg is active in selected areas in the light vehicle, general industry, offshore oil/gas, transportation equipment, agriculture, infrastructure construction and aerospace segments.

For a more detailed description of Trelleborg's applications, market positions, key customers and principal competitors, see the descriptions of the business areas.



Industrial core competency and polymer technology pervade all of the business areas, as does the high technology content of the products, providing added value for our customers. Focused product development, cost-effective production and synergies in purchasing and material flows are decisive for commercially successful products and solutions. Trelleborg is undergoing a continuous shift toward selected segments.

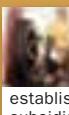


Polymeric materials comprise plastics and elastomers, which can be natural or synthetic rubber. The modern polymer industry started with consumer products, followed by the development of the tire market and then products for utilization in various industrial applications.

## ► Trelleborg's history

 **1905** Trelleborgs Gummi-fabriks AB is founded by Henry Dunker and becomes Scandinavia's leading rubber company producing tires, industrial rubber and waterproofs.

 **1930** The development of motoring leads to vehicle tires becoming the single largest product. Leisure articles including rubber boots also increase greatly.

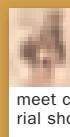
 **1950** Internationalization commences. Initially, a network of global agents is established, this is later followed by the establishment of a number of overseas subsidiaries.

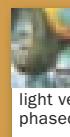
 **1983** The company expands from only producing rubber products to an international group in which the mining and metal businesses dominate.

**1905** → **1908** → **1930** → **1939** → **1950** → **1970** → **1983**



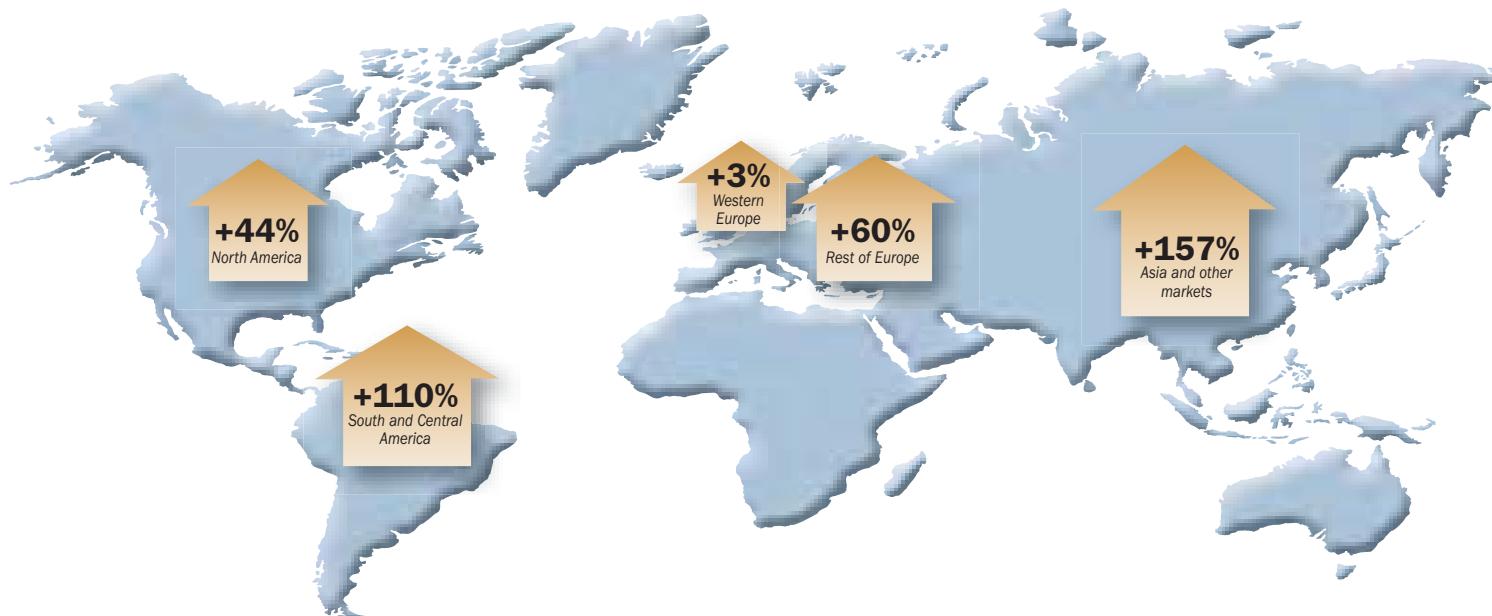
**1908** The characteristic brand is launched.

 **1939** The outbreak of the Second World War causes a shift in production to meet new needs. The business focuses on developing products that meet customer requirements despite raw material shortages.

 **1970** The proportion of sales from industrial products increases steadily. Production of light vehicle and truck tires is phased out from 1975-1976.

## ► Increased global presence outside Western Europe and North America in the past five years

The Trelleborg Group's geographic trend in net sales from 2005 to 2010.



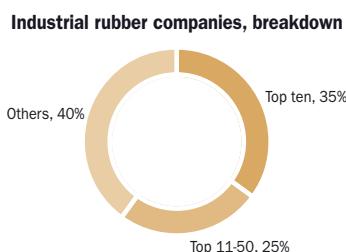
### Top 10 global industrial rubber companies

Company	Country	Net sales, EUR m	Percentage of company's total net sales
1. Hutchinson	France	2,281	100
2. Trelleborg	Sweden	2,263	89
3. Continental	Germany	2,160	11
4. Bridgestone	Japan	2,085	11
5. NOK	Japan	1,714	53
6. Tokai	Japan	1,709	95
7. Tomkins	United Kingdom	1,691	56
8. Freudenberg	Germany	1,663	40
9. Parker-Hannifin	USA	1,481	20
10. Cooper Standard Automotive	USA	1,398	100

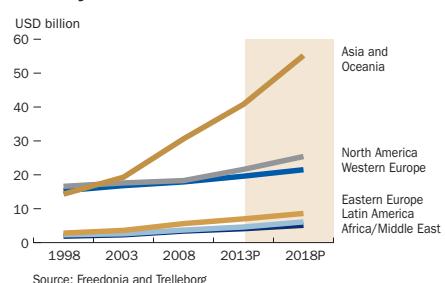
Sources: Rubber & Plastics News, Freedonia and Trelleborg June 2010.

### A fragmented market

The total size of the industrial rubber market is approximately EUR 60 billion.



### Industrial rubber market trend, history and forecast



The industrial rubber market is expected to grow 3-5 percent over the next few years, with the highest growth in Asia.

**1999** Operations are focused on the industrial segment, which is growing through larger acquisitions. Other operations are phased out.

**2005** 100 years of impassioned engineering is celebrated in publications and events.

**2008** Concentration continues through focused portfolio management. Trelleborg is world number one in industrial rubber.

**2010** The Group's global expansion continues through an increased presence in countries including China, India, Russia and Brazil.

**1999**

**2003**

**2005**

**2006**

**2008**

**2010**

**2011**

**2003** Acquisition of polymer-based precision seals (Smiths Group) which forms the business area Trelleborg Sealing Solutions. Trelleborg grows by 6,000 employees.

**2006** The Group becomes the global market leader in polymer-coated fabrics, such as printing blankets, through the acquisition of Reeves Brothers. The acquisition of CRP Group makes Trelleborg the global market leader in polymer systems and solutions in the offshore oil/gas segment.

**2011** Focus on selected profitable segments continues. Trelleborg signs a letter of intent to build a global leader in antivibration solutions for light and heavy vehicles with the German company of Freudenberg.

# Our strategy

## Vision

We shall be the customers' **first choice** in our selected market segments, **creating value** through **high-performance solutions**.

## Business concept

We **seal, damp and protect** in demanding industrial environments throughout the world. Our customers can rely on engineered solutions based on leading polymer technology and unique applications know-how.

## Leadership

We create a high-performance culture in a global environment through shared values and target-oriented leadership. Leadership is the link between strategy and action and ensures that we make use of the strength of the organization, drive developments in the right direction, ensure that action is taken and correctly allocate our resources.



## Values, code of conduct and corporate governance

Values, code of conduct and corporate governance provide a framework for our operations and create a stable, responsible and sustainable Group that benefits all of the Trelleborg Group's stakeholders.

## Action

To ensure that the strategies are implemented, ongoing activities are defined that are continuously followed up. These can take the form of, for example, growth initiatives, portfolio development, operational efficiency, talent management and innovation initiatives.

### Leadership ensures strategy and action

Successful leaders are needed to ensure strategies and strengthen the ability to take action. Our business model and entrepreneurial spirit provide operational focus and proximity to customers. Trelleborg's ambition is to create a high-performance culture in a global environment based on shared core values and target-oriented leadership.

- We set clearly-defined targets and reward performance.
- We lead through a decentralized organization that encourages all employees to assume responsibility for our company and our external environment.
- Our corporate culture and our values differentiate us from our competitors.

### Leading positions in selected segments

Trelleborg strives to achieve leading positions in our carefully selected segments in global and regional markets. The Group's market positions and product portfolio are continuously evaluated. We select and focus on segments in which the Group can attain leading positions and which offer long-term growth in value. At the same time, we identify and withdraw from areas and segments that are less attractive.



# Excellence yields enhanced positioning

Operational, commercial and financial excellence is achieved through constant improvement. These are the three links that, through continuous improvements, build a strong and efficient chain – from purchasing to finished solutions delivered to customers. Excellence leads to better positioning and competitiveness, thereby also driving growth.

## **Excellence is created through:**

### **Reliable quality**

High quality and reliability are preconditions for Trelleborg to be considered the first choice for our customers.

### **Optimized operational structure**

We continuously improve our operational structure in terms of, for example, manufacturing, marketing/sales and infrastructure.

### **Optimized processes**

The Group's various processes, for example, production, purchasing, pricing and logistics, shall create strength and synergies, and be standardized when possible.

### **Production and capital efficiency**

Examples from this area include our capital rationalization project and a continuous review and rationalization of our product portfolios.

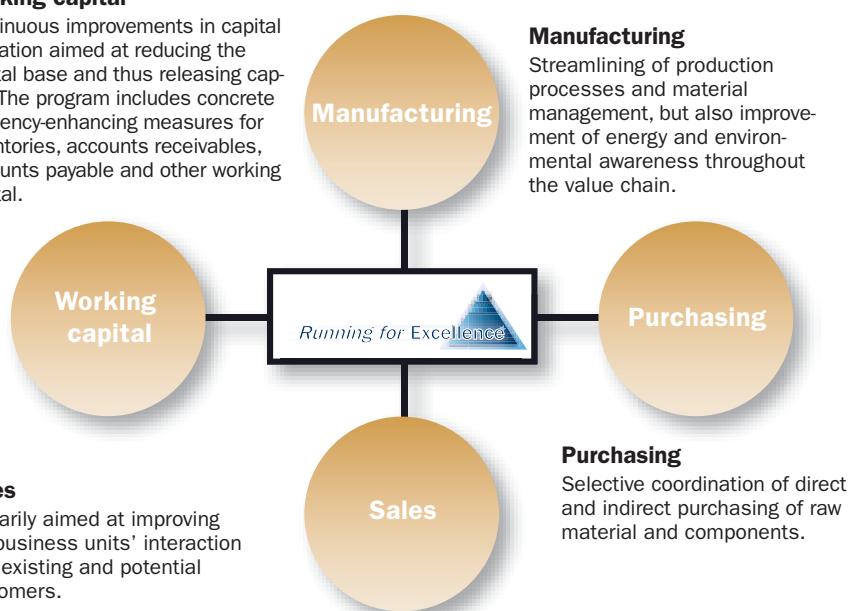
For the past few years, Trelleborg has been conducting a Group-wide excellence program to efficiently and uniformly implement improvement measures.

### **Working capital**

Continuous improvements in capital utilization aimed at reducing the capital base and thus releasing capital. The program includes concrete efficiency-enhancing measures for inventories, accounts receivables, accounts payable and other working capital.

### **Manufacturing**

Streamlining of production processes and material management, but also improvement of energy and environmental awareness throughout the value chain.



### **Sales**

Primarily aimed at improving the business units' interaction with existing and potential customers.

### **Purchasing**

Selective coordination of direct and indirect purchasing of raw material and components.

## ► Manufacturing excellence

Trelleborg's Group-wide program for manufacturing excellence has been implemented at all major production units in the Group.

The program is a structured process to ensure the shared Group aim of continuous improvements, increased competitiveness and providing access to the best processes.

A systematic measuring process stimulates all the units to have a common approach and to ensure improvement.

Six areas are included in the program and key figures for all six are defined locally. The six areas are:

- On-time deliveries. Customer satisfaction/customer service: for example, reliability, customer promises and lead times.

- Productivity. Resource utilization: for example, work per produced unit or costs per employee.
- Efficiency. Return: for example, produced units per man-hour or units per hour of production.
- Quality. Customer satisfaction/costs: for example, complaints, spoilage and the portion of products that must be remade.
- Assets. Capital/resource utilization: for example, capital turnover and space utilization.
- Personnel. Employee satisfaction: for example, absenteeism due to sickness and personnel turnover.



**Less waste has a considerable effect** At Trelleborg in Tewkesbury, UK, Lean Six Sigma was utilized to reduce production wastage. The analysis showed that almost 80 percent of the waste arose from three of the unit's six production sections, and seven of the 46 reasons identified accounted for 85 percent of the waste. The underlying reasons for the problem could be quickly identified and resolved.

Measures were developed during the improvement period to correct the process and prevent waste. These measures have now been automated, thus resulting in lasting improvements.

# Growth in profitable segments

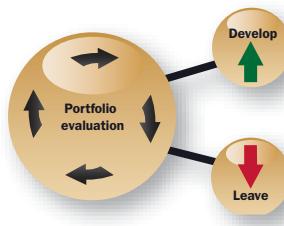
The target for Trelleborg's average annual organic sales growth is 5 percent over an economic cycle. Growth is the focal point of the Group's main strategy to command leading positions in selected segments. Proprietary product development is important and this is why Trelleborg has assigned a higher strategic priority to innovation skills.

Although the focus is on organic growth, acquisitions remain of strategic importance. In the first instance, these are supplementary acquisitions in selected market segments or geographic areas. The Group seeks acquisition candidates that add technology, create added value, support the build-up of critical mass in attractive segments, have solid organic growth potential or provide consolidation opportunities.

#### Growth is created through:

- Knowledge and understanding of our markets.
- Focus on segments with favorable structural growth.
- Allocation of resources to our areas of priority.
- Development of new solutions and technologies.
- Capturing market shares in existing markets.
- Penetration of new geographic markets and customer segments.
- Acquisition and integration of operations that offer consolidation and synergies.

Based on a structured portfolio evaluation, strategies for growth are formulated, which are then implemented organically or through acquisitions. At the same time, we leave areas that are less attractive.



Our growth focus includes segments in demanding industrial environments, such as offshore oil and gas extraction, the aerospace industry, chemical industry, pharmaceutical industry and infrastructure construction. Streamlining the business structure and the product portfolio is a strategy that drives profitability growth for Trelleborg. The prioritized areas have significantly increased their share of the Group.

#### Organic growth

Organic growth is supported by focused growth initiatives, Global Growth Initiatives. Activities that systematically drive growth within the prioritized areas are conducted within the framework of these initiatives. Growth is also supported by

## GLOBAL GROWTH INITIATIVES

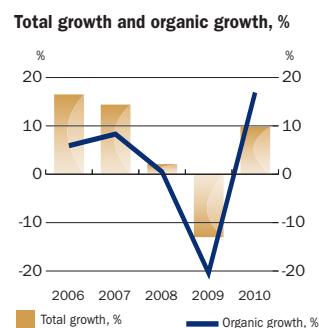
Market segment  
Geography  
Business model

a shift toward attractive segments by streamlining the business structure and product portfolio.

Continued efforts in systematically working with Global Growth Initiatives and portfolio management will allow us to clearly prioritize and control our operations, thus increasing the profitability level in the Group successively and in the long term.

#### Annual growth of 6 percent

- Since 2005, the Trelleborg Group has grown by an average of 6 percent per year and organic sales increased by 2.2 percent per year.
- Trelleborg's total sales increased by 10 percent in 2010, while organic sales rose by 17 percent.



## Continued focus on markets outside Western Europe and North America

In geographic terms, Trelleborg is expanding in markets in Asia, South and Central America, as well as Central and Eastern Europe through an expanded presence and proprietary product and system development.

The total share of the Group's sales in markets outside Western Europe and North America was 28 percent (25) in 2010. Sales in these markets have increased by 119 percent since 2005.

The transfer of production to countries with higher growth and lower costs continues and has been extensive in the past five years. Since 2005, the number of production units has decreased by 30 in Western Europe and North America, while 15 production units were started outside these regions. The Group currently has 27 percent of its production plants outside Western Europe and North America.

During 2010, a decision was taken to invest approximately SEK 160 M over a two-year period in Trelleborg Engineered Systems for a new plant in Brazil. The plant will develop and manufacture products for the strongly

growing offshore oil and gas extraction industry in Brazil. Trelleborg Engineered Systems is also establishing a new operation in Bangalore, India, to ensure participation in the future growth of the country, primarily among customers in the telecom infrastructure sector and industrial anti-vibration.

Trelleborg Sealing Solutions strengthened its presence in Asia, increased its global production capacity, and enhanced the efficiency of – and focused production in – industrial niches by establishing a new modern unit in Bangalore, India.

Trelleborg Automotive strengthened its position as the most global company in antivibration products for light vehicles by starting its own production in Nizhny Novgorod, Russia, and by establishing a new research and development center in Shanghai, China.

Trelleborg Wheel Systems increased capacity at its production facility for solid industrial tires in Sri Lanka.

## ► Trelleborg and Freudenberg intend to form a global leader in antivibration solutions

### Acquisitions and divestments

The advancement of the Group's strategic positions may sometimes be achieved more rapidly than through organic means by the acquisition of small or mid-size operations. In addition, this will provide access to new expertise, new technology/material or new customer groups.

Since 2005, Trelleborg has completed 38 complementary acquisitions, with combined sales of about SEK 5.8 billion.

Acquisitions	Sales, SEK M	No. of employees
Lutz Sales Inc. (precision seals)	100	50
PPL Polyurethane Products Ltd.* (infrastructure & offshore oil/gas)	90	90
Watts Tyre Group (industrial tires)*	300	230
<b>Total</b>	<b>490</b>	<b>370</b>

### Divestments

Hoses for light vehicles operation (Fluid Solutions) in Trelleborg Automotive	1,400	1,900
Roofing operation (Waterproofing) in Trelleborg Engineered Systems*	900	230
<b>Total</b>	<b>2,300</b>	<b>2,130</b>

\* Completed in first quarter, 2011.

In January 2011, Trelleborg and Freudenberg signed a letter of intent to form a 50/50 joint venture in antivibration solutions for light and heavy vehicles. The joint venture will consist of Trelleborg Automotive's operations in antivibration solutions and Freudenberg's corresponding activities, Vibracoustic. Total annual sales are estimated at approximately SEK 12 billion, with 8,100 employees in 17 countries.

This joint venture forms a global leader that will provide a strong partner for Trelleborg's customers and it creates a platform for accelerated development and future growth. The companies' customer portfolios match each other well and Trelleborg's wide geographic presence is complemented by Freudenberg's product portfolio. All in all, the new company will be able to provide vehicle manufacturers around the globe with the market's best geographic coverage and the most extensive product portfolio in antivibration solutions.

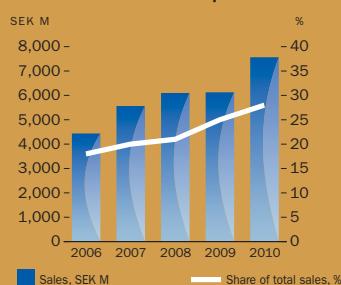
This creates opportunities for an efficient structure in a fragmented market. It also provides the opportunities for the best continued development of Trelleborg Automotive's antivibration business, and at the same time allows Trelleborg to focus on continuing to advance other parts of the Group.



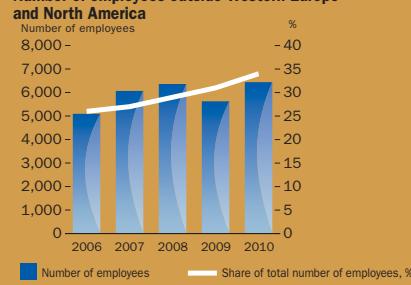
The area of Trelleborg Automotive that will be included in the joint venture, relates to the antivibration business for light and heavy vehicles. It accounts for about 75 percent of sales in Trelleborg Automotive and has annual sales of approximately SEK 6,300 M and some 5,200 employees. Trelleborg Automotive's operations outside the area of antivibration are not affected.

Completion of the transaction requires the fulfillment of specific conditions and the approval of the relevant competition authorities. Formation of the new company is expected to take place in 2011.

### Sales outside Western Europe and North America



### Number of employees outside Western Europe and North America



### Geographic breakdown of sales, 2010 (2009)



# Innovation

## creates competitive advantages

We generate customer value by applying proactive and innovative thinking in everything we do.

Innovative thinking is not only associated with products and solutions, but is equally important in all processes. An innovative culture is created by people's curiosity, questioning approach and willingness to change. Innovation is one of Trelleborg's core values and an important element in our competitiveness.

### **Innovative solutions are created through:**

- Leading expertise in engineering, applications and polymers.
- Solving our customers' existing and future requirements by focusing on continuous development.
- A culture and attitude that is dynamic and open to change.
- Curiosity, continuously challenging and basing actions on ways in which we can improve.

With technology and a base of in-depth materials know-how, Trelleborg develops a variety of solutions that satisfy the specific needs of various industrial customers. The function is the same: to seal, damp and protect to secure values in demanding environments. Research and development is conducted at three levels. The first level comprises fundamental physical and chemical materials know-how concerning polymers and other materials. The

second level involves applications expertise within the Group's global market segments. The third level is the specific design of products and solutions.

### **Development takes place in close cooperation with customers**

Our development units throughout the world 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 and non-linear material analysis. An extensive test function exists to guarantee lasting quality. Among other parameters, we test compression, fatigue, pressure resistance, wear, load, vibration and sound. In the final phase, testing of prototypes and finished products is often performed at the customer's facility and under realistic conditions.

At a number of the development

units, there is fundamental physical and chemical materials know-how regarding polymers and other materials and, accordingly, capacity to develop technology, including strategic products and materials. Examples include the proprietary materials Turcon® and Isolast® that are used in a number of sealing solutions.

### **Supporting technology supplements polymers**

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 such products 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.

### ► Innovative customer interaction

For a considerable time, Trelleborg Sealing Solutions has systematically developed and increased customer interaction successfully via digital media.

The website [www.tss.trelleborg.com](http://www.tss.trelleborg.com) has a number of customized solutions enabling customers to design and order the precision seals they need in one motion.

Trelleborg Sealing Solution's website is currently in 18 languages with more underway. Its traffic includes approximately 6,000 downloads of CAD drawings and 10,000 downloaded PDF documents per month.

And all of this information yields results. In 2010, the business area estimates that it received approximately 4,500 direct inquiries from customers via the website.

#### **Trelleborg's iPhone App, "ISO Fits & Tolerances" saves time for engineers**

As part of efforts to continuously simplify our customers' work, this tool is provided for use outside the office. The App, "ISO Fits & Tolerances," assists engineers in designing sealing applications, but can



also be utilized for a number of other design situations. The App functions as a digital reference book including the most common tables for standard tolerances and limit deviations for holes and shafts, all contained in your mobile phone.

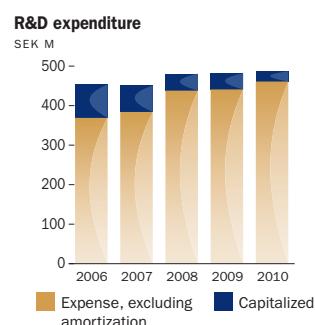
The App includes easy access to the automatically updated library with Trelleborg Sealing Solutions' films and animations on YouTube. For more information, you just click on "Contact". The App is in English and German and can be downloaded free of charge from iTunes or via the Apple App Store on the iPhone and iPod Touch.

### ► Continued investments in research and development

During 2010, research and development expenditure amounted to SEK 487 M (482), corresponding to about 2 percent (2) of sales.

Of the total amount, SEK 26 M (41) was capitalized and recognized as an intangible asset in the balance sheet.

The year's amortization and impairment of capitalized development expenditure amounted to SEK 94 M (98).



# Our financial targets

Trelleborg shall create value for shareholders and other stakeholders through profitable growth. The Trelleborg Group's financial targets are organic growth, EBITDA margin and return on shareholders' equity.

## ► Organic growth over an economic cycle

### Target

**5%**

The target for the average annual organic growth over an economic cycle is 5 percent. In addition, further growth will occur through supplementary acquisitions.

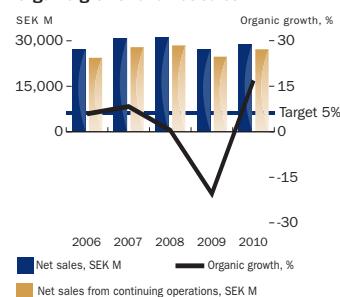
### Description

The organic growth shall be achieved through Trelleborg's initiatives to exceed growth in underlying markets through proprietary product development and penetration of new geographic markets. Over the past five years, annual organic growth amounted to an average of 2.2 percent. Acquired growth remains a vital part of the Group's strategy. It primarily involves supplementary acquisitions to strengthen geographic presence or market position in selected segments.

### Fulfillment

In 2010, organic sales increased 17 percent as a result of the sharp upswing in demand in the majority of the Group's market segments.

### Organic growth and net sales



## ► EBITDA margin\*

### Target

The target is an EBITDA

**≥12%**

margin\* that exceeds 12 percent.

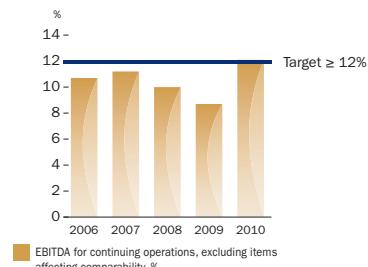
### Description

In the most recent five-year period, the EBITDA margin averaged 10.5 percent. Our strategy of actively seeking and developing profitable segments will gradually contribute to improved margins.

### Fulfillment

The target of 12 percent was achieved in 2010 due to the positive effects of increased sales volumes combined with the more efficient use of resources.

### EBITDA margin



\* Continuing operations, excluding items affecting comparability.

## ► Return on shareholders' equity\*

### Target

**12%**

The long-term target for return on shareholders' equity\* is 12 percent after tax.

### Description

In the most recent five-year period, return averaged 10.6 percent. The target shall be achieved through margin improvements and efficiency in capital utilization.

### Fulfillment

In 2010, return on shareholder's equity amounted to 11.9 percent (5.8). The improvement compared with the preceding year is a result of an improved operating margin and greater efficiency in capital utilization. The debt/equity ratio declined, which marginally reduced the level of return.

### Return on shareholders' equity



\* Continuing operations, excluding items affecting comparability.

# The Group in brief

## Net sales

Demand improved in 2010 in most of the Group's segments. The recovery from the sharp decline in demand in 2009 was strongest in the transportation equipment, light vehicles and general industry sectors.

## Earnings

Consolidated operating profit rose significantly compared with 2009. The improvement was the result of higher sales volumes combined with the more efficient use of resources.

The increase in operating profit was largest in the Trelleborg Automotive and Trelleborg Sealing Solutions business areas, driven by a high organic growth rate within the framework of an efficient cost structure.

## Cash flow

The Group's operating cash flow remained strong due to the significant improvement in earnings generation from the operations, which was somewhat offset by a rise in working capital due to higher sales.

## Net debt – capital structure

The capital structure continued to improve as the result of reduced net debt, which was reflected in the improved debt/equity ratio. Combined with the improved earnings generation, this also resulted in a substantial improvement in key figure of net debt in relation to EBITDA.

## Continuing operations

Net sales	2010	2009
Net sales, SEK M	27,196	24,769
Change in %		
Organic sales	+17	-20
Structural change	0	0
Currency effect	-7	+7
<b>Total</b>	<b>+10</b>	<b>-13</b>

Earnings	2010	2009
Operating profit, SEK M	2,036	734
Net profit, SEK M	1,284	403
Earnings per share, SEK	4.65	1.65
<i>Excluding items affecting comparability</i>		
Operating profit, SEK M	2,286	1,088
Earnings per share, SEK	5.35	2.70
Operating margin, (ROS), %	8.4	4.4
EBITDA margin, %	12.1	8.7

Cash flow	2010	2009
Operating cash flow, SEK M	2,190	3,040
Free cash flow, SEK M	1,173	1,699
Net cash flow, SEK M	950	3,750

Net debt – capital structure	2010	2009
Net debt, SEK M	6,409	8,369
Net debt/EBITDA, times	2.1	4.3
Debt/equity ratio, %	53	68

# Press releases 2010

## FIRST QUARTER

### FEBRUARY

**Feb. 1, 2010** : 3:00 p.m.

Trelleborg's Year-end report for 2009 and telephone conference on February 16

**Feb. 11, 2010** : 12:30 p.m.

Nomination Committee of Trelleborg AB, proposals for Annual General Meeting 2010

**Feb. 16, 2010** : 7:45 a.m.

Trelleborg: Year-end Report 2009

### MARCH

**Mar. 16, 2010** : 9:00 a.m.

Notification of the Annual General Meeting

**Mar. 19, 2010** : 11:00 a.m.

Trelleborg Group's Annual Report for 2009 published

## SECOND QUARTER

### APRIL

**Apr. 8, 2010** : 1:30 p.m.

Invitation to a telephone conference regarding Trelleborg's Interim report on April 20

**Apr. 20, 2010** : 2:00 p.m.

The first quarter 2010

**Apr. 20, 2010** : 2:01 p.m.

Trelleborg Sealing Solutions strengthens its position in Asia – increases presence and capacity in India

**Apr. 20, 2010** : 2:01 p.m.

Trelleborg Automotive strengthens its global position – launches production in Nizhny Novgorod in Russia

**Apr. 20, 2010** : 7:00 p.m.

Report from Trelleborg AB's Annual General Meeting

### MAY

**May 31, 2010** : 8:00 a.m.

Trelleborg focuses its activities in Trelleborg Automotive – divests Fluid Solutions business unit

### JUNE

**Jun. 9, 2010** : 1:00 p.m.

Trelleborg to arrange Capital Markets Day in Stockholm on November 24 – book the date

**Jun. 16, 2010** : 9:00 a.m.

Trelleborg Automotive continues its substantial investments in China – establishes research and development centre in Shanghai

## THIRD QUARTER

### JULY

**Jul. 2, 2010** : 8:00 a.m.

Trelleborg's divestment of Fluid Solutions business unit completed

**Jul. 8, 2010** : 9:00 a.m.

Invitation to a telephone conference regarding Trelleborg's Q2 report on July 21

**Jul. 21, 2010** : 7:45 a.m.

Interim report April – June 2010

### SEPTEMBER

**Sep. 23, 2010** : 11:30 a.m.

Invitation to Trelleborg's Capital Markets Day, November 24, at Berns Salonger in Stockholm

## FOURTH QUARTER

### OCTOBER

**Oct. 13, 2010** : 11:00 a.m.

Trelleborg's Interim report and telephone conference on October 28

**Oct. 20, 2010** : 8:30 a.m.

Nominations Committee at Trelleborg AB prior to 2011 Annual General Meeting

**Oct. 28, 2010** : 7:45 a.m.

Interim report July – September 2010

### NOVEMBER

**Nov. 24, 2010** : 8:00 a.m.

Jim Law new Business Area President for Trelleborg Automotive

**Nov. 24, 2010** : 8:05 a.m.

Trelleborg strengthens its world-leading position in industrial tires – acquires Watts Tyre Group

**Nov. 24, 2010** : 8:10 a.m.

Trelleborg invests in new plant for products and solutions for oil/gas extraction in Brazil – continues its focus on emerging markets

**Nov. 24, 2010** : 8:30 a.m.

Ahead of Trelleborg's capital markets day: Trelleborg's shift toward leading positions in selected segments and emerging geographic markets continues

### DECEMBER

**Dec. 6, 2010** : 8:30 a.m.

Trelleborg divests roofing operations – Continues its focus on selected segments

**Dec. 10, 2010** : 8:30 a.m.

Trelleborg invests in new operation in India – establishes platform for further growth in the region

**Dec. 15, 2010** : 8:30 a.m.

Trelleborg signs agreement with the European Investment Bank regarding a loan totaling EUR 80 M

**Dec. 20, 2010** : 8:30 a.m.

Trelleborg acquires UK-based PPL Polyurethane Products – strengthens position in offshore oil/gas

**Dec. 21, 2010** : 8:30 a.m.

Trelleborg acquires Lutz Sales Inc. – strengthens its presence on the North American market for precision seals

**Dec. 23, 2010** : 8:30 a.m.

Trelleborg's acquisition of Lutz Sales Inc. finalized



## Net sales and operating profit/loss

SEK M	Net sales		EBITDA*		EBITDA %**		Operating profit/loss*		Operating profit/loss**	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Trelleborg Engineered Systems	10,053	10,249	1,190	990	11.8	9.7	850	636	719	473
Trelleborg Automotive	8,560	7,031	906	438	10.4	6.1	529	34	452	11
Trelleborg Sealing Solutions	5,783	4,673	1,071	497	18.5	10.6	876	280	854	128
Trelleborg Wheel Systems	2,990	2,991	360	383	12.0	12.8	263	283	247	267
Other companies			-9	-6			-11	-8	-11	-8
Group items			-214	-129			-221	-137	-225	-137
Elimination	-190	-175								
<b>Total</b>	<b>27,196</b>	<b>24,769</b>	<b>3,304</b>	<b>2,173</b>	<b>12.1</b>	<b>8.7</b>	<b>2,286</b>	<b>1,088</b>	<b>2,036</b>	<b>734</b>

\*) excluding items affecting comparability \*\*) including items affecting comparability

Items affecting comparability	Impairment losses		Restructuring costs		Total	
SEK M	2010	2009	2010	2009	2010	2009
Trelleborg Engineered Systems	1	-22	-132	-141	-131	-163
Trelleborg Automotive	-22	-4	-55	-19	-77	-23
Trelleborg Sealing Solutions	-9	-19	-13	-133	-22	-152
Trelleborg Wheel Systems			-16	-16	-16	-16
Other			-4	-4		
<b>Total</b>	<b>-30</b>	<b>-45</b>	<b>-220</b>	<b>-309</b>	<b>-250</b>	<b>-354</b>

## Operating ratios

SEK M	Operating margin (ROS), %*		Operating margin (ROS), %**		Capital employed, SEK M		Return on capital employed (ROCE), %*		Return on capital employed (ROCE), %**	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Trelleborg Engineered Systems	8.5	6.2	7.2	4.6	6,062	6,382	13.2	9.1	11.3	6.8
Trelleborg Automotive	6.0	0.4	5.1	0.0	3,713	4,162	13.1	0.8	11.4	0.2
Trelleborg Sealing Solutions	15.1	6.0	14.8	2.8	6,545	7,156	12.9	3.7	12.6	1.7
Trelleborg Wheel Systems	8.8	9.5	8.3	8.9	1,712	1,835	14.1	13.9	13.3	13.3
Other companies				26	48					
Group items				-58	3					
Provisions for restructuring measures				-215	-416					
<b>Total</b>	<b>8.4</b>	<b>4.4</b>	<b>7.4</b>	<b>2.9</b>	<b>17,785</b>	<b>19,170</b>	<b>11.9</b>	<b>5.1</b>	<b>10.8</b>	<b>3.5</b>

\*) excluding items affecting comparability \*\*) including items affecting comparability

## Net sales per quarter

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2010	2009	2010	2009	2010	2009	2010	2009
Trelleborg Engineered Systems	2,430	2,680	2,629	2,597	2,376	2,477	2,618	2,495
Trelleborg Automotive	2,120	1,515	2,268	1,759	2,061	1,800	2,111	1,957
Trelleborg Sealing Solutions	1,350	1,276	1,522	1,129	1,477	1,104	1,434	1,164
Trelleborg Wheel Systems	725	950	795	782	732	630	738	629
Elimination	-69	-36	-27	-35	-45	-44	-49	-60
<b>Total</b>	<b>6,556</b>	<b>6,385</b>	<b>7,187</b>	<b>6,232</b>	<b>6,601</b>	<b>5,967</b>	<b>6,852</b>	<b>6,185</b>

## Operating profit/loss per quarter\*

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2010	2009	2010	2009	2010	2009	2010	2009
Trelleborg Engineered Systems	158	113	263	153	215	192	214	178
Trelleborg Automotive	137	-143	175	11	95	65	122	101
Trelleborg Sealing Solutions	171	41	251	22	238	94	216	123
Trelleborg Wheel Systems	76	102	59	83	77	52	51	46
Other companies	-3	-3	-4	-2	-2	-2	-2	-1
Group items	-24	-19	-50	-22	-64	-33	-83	-63
<b>Total</b>	<b>515</b>	<b>91</b>	<b>694</b>	<b>245</b>	<b>559</b>	<b>368</b>	<b>518</b>	<b>384</b>

For definitions, see page 108.

\*) excluding items affecting comparability

# Innovative engineered solutions for extreme demands

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

## Market segments:

**Infrastructure:** specialized solutions for infrastructure projects, for example, fender systems for harbors, tunnel seals, dredging systems, pipe seals, acoustic and vibration-damping solutions for bridges.

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

**Transportation equipment:** acoustic and vibration-damping solutions for railways and vessels.

**General industry:** precision components and systems in polymer materials, such as hoses, elastomer materials and polymer-coated fabrics. Other special products include molded components for a variety of industry segments, printing blankets for the graphics industry and industrial antivibration applications.

## Production units:

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

## Strategic priorities:

- Continued active portfolio management – invest in attractive segments and exit segments with low potential.
- Additionally strengthen presence in markets with high growth, primarily Asia and Latin America.
- Acquisitions that support expansion in key markets.
- Continuously improve overall cost structure through efficiency enhancements and ensure ultimate production structure.
- Recruit, develop and retain talented individuals.

## Examples of brands:

Elastopipe®, Trelline® and Vulcan®.

## Key customers:

Companies in infrastructure, offshore oil/gas, food, chemicals, the graphics and transport industries, major distributors of industrial commodities and window manufacturers.

## Principal competitors:

Archer, Balmoral, Bridgestone, Continental, Cuming Corp., Flint Group, Floatation Technology, Hultec, Hutchinson, IVG, Lords, Schlegel, Semperit, Stomil Sanok, Sumitomo and Yokohama.

## 2010: Sharp increase in demand in general industry, mixed scenario in project-related segments.

Key figures (excluding items affecting comparability unless otherwise stated)	2010	2009
Net sales, SEK M	10,053	10,249
Share of Group net sales, %	37	41
EBITDA, SEK M	1,190	990
EBITDA, %	11.8	9.7
Operating profit, SEK M	850	636
Operating profit, including items affecting comparability, SEK M	719	473
Operating margin (ROS), %	8.5	6.2
Capital employed, SEK M	6,062	6,382
Return on capital employed (ROCE), %	13.2	9.1
Capital expenditures, SEK M	254	252
Operating cash flow, SEK M	724	1,518
Operating cash flow/Operating profit, %	85	239
Number of employees at year-end, including insourced staff and temporary employees	6,675	6,563

## Market trend

Demand in general industry rose sharply during the year, while the demand scenario was mixed in project-related segments.

## Sales and earnings

Organic sales increased 5 percent (decrease: 17) for full-year 2010.

Operating profit and the operating margin increased primarily due to positive effects of implemented structural actions and capacity adjustments.

While operating cash flow was healthy, it was weaker than in 2009, when significant reductions in working capital took place.

## Key events

- The business area retained its market positions during the year.
- Continued structural improvements as a result of restructuring activities and active portfolio management.
- Agreement for the divestment of roofing operations (Waterproofing). The divestment was completed on January 31, 2011.

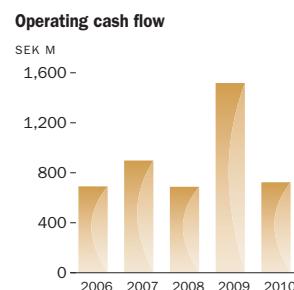
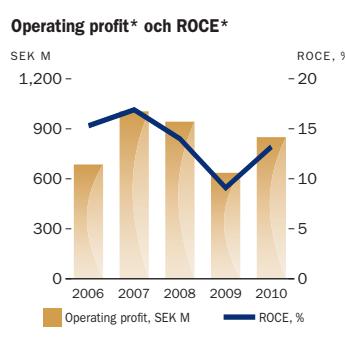
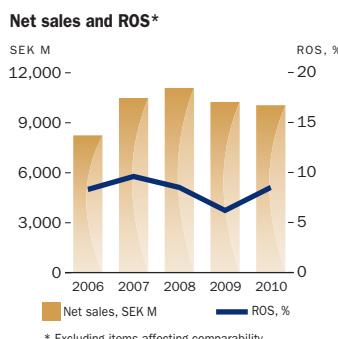
■ Geographic expansion continues. During the year, the business area commenced the establishment of new operations in Brazil and India.

■ Agreement for the acquisition of PPL Polyurethane Products strengthens the position in offshore oil/gas. The acquisition was completed on January 4, 2011.

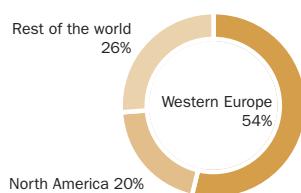
## Market position, no. 1-3 EU NAFTA Globally

Industrial hoses	■	■
Dredging hoses	■	■
Oil hoses	■	
Rubber sheetings	■	
Industrial vibration damping	■	■
Polymer-coated fabrics	■	■
Printing blankets	■	■
Industrial profiles	■	■
Pipe seals	■	■
Marine fender systems	■	■
Polymer solutions for oil/gas	■	■

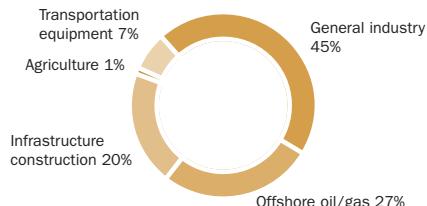
**Demanding solutions at sea** Through advanced polymer technology, Trelleborg offers a range of offshore solutions for extreme demands. These include products to protect cables or stabilize and protect the drill bit, various types of bend stiffeners that mainly constitute safety solutions and products that are principally designed to ensure the safety and protection of personnel and equipment.



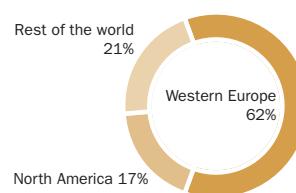
#### Net sales per geographic market



#### Net sales per segment



#### Employees per geographic market



## Three questions to Lennart Johansson Business Area President, Trelleborg Engineered Systems



### What were you most pleased with in 2010?

We continued to improve our cost structure base. In addition, the structure has now become more flexible, making it easier to swiftly adjust capacity. We improved our geographic presence and currently have a larger portion of production in countries with lower costs and in rapidly growing markets.

I am also pleased with the progress

of our continued portfolio management, which meant that we exited segments that did not match our structure, enabling them to develop better with another owner. We also see continued positive results from aggressive market investments in several attractive segments.

### What are the principal opportunities and risks that you currently face in your business environment?

The uncertainty surrounding the general demand trend remains an issue of concern. Meanwhile, we see strong growth in several markets, such as the BRIC countries, where we increased our presence.

We still have numerous opportunities to increase market initiatives in profitable segments.

### What are the key strategic priorities for your business area over the next few years?

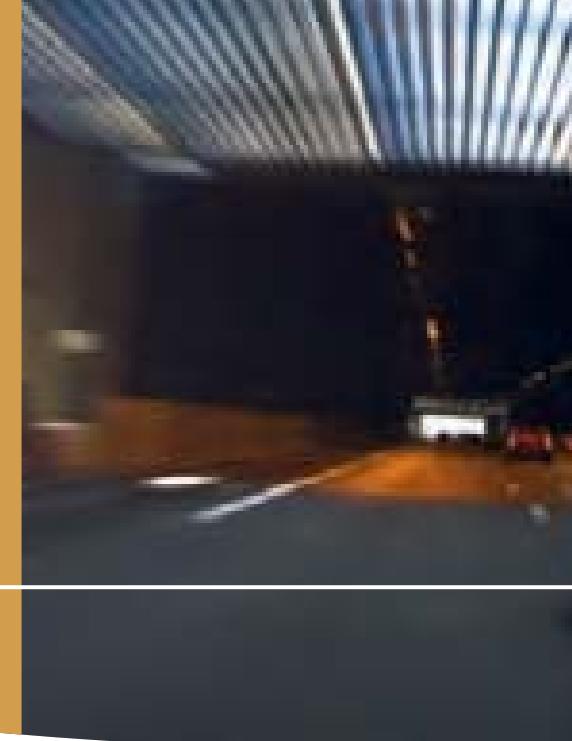
To focus the operations on fewer but larger, selected segments. The divestment of the roofing operation was a significant step in achieving this. Portfolio management involving both acquisitions and divestments will continue.

Establishing an even stronger presence and local base in the major emerging markets also represents a crucial aspect on which we will continue to focus. During the year, we initiated the establishment of operations in such emerging markets as Brazil and India.

# Engineered damping for more comfortable and quiet cars

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

 Trelleborg and Freudenberg aim to become the global leader in antivibration solutions.



## Market segments:

*Light vehicles and Transportation equipment, (trucks):*

Antivibration Solutions: noise and vibration-damping solutions for all vehicle segments.

Damping Solutions: brake shims and applied damping materials (ADM).

Insulation & Applied Solutions: polymer boots for drive shafts and steering applications as well as other customized products.

## Production units:

Brazil, China, Czech Republic, France, Germany, India, Mexico, Romania, Russia, South Korea, Spain, Sweden, Turkey and the US.

## Strategic priorities:

- Continuously improve profitability in long-term attractive segments through targeted actions.
- Clear positioning of Trelleborg Automotive as an innovative supplier of comprehensive and global solutions.
- Proactively capitalize on the market opportunities that arise during the ongoing restructuring of the global automotive industry.
- Continued expansion in emerging markets through local establishments.
- Optimization of global production and excellence in production processes, including enhanced utilization of synergies in the business area.
- Be leading in solutions that support fuel economy/weight reduction in cars and trucks.
- Recruit, develop and retain talented individuals.

## Key customers:

Audi, Benteler, BMW, Chrysler, Delphi, FAW, Fiat, Ford, GKN, GM, Hendrickson, Mercedes Benz, Nexteer, PSA, Renault Nissan, Suzuki, Tata, Tenneco Monroe, Toyota, Volvo and VW.

## Principal competitors:

Anvis, Bridgestone, Cooper Standard, Continental, Freudenberg/Vibracoustic, Hutchinson/Paulstra, Keeper, Kwang Duk Auto, Meneta, MSC, NOK, Stabilius, Tokai, Wolverine, ZF and Zhongding.

## 2010: Increased demand in all markets, improved operating profit and operating margin.

Key figures (excluding items affecting comparability unless otherwise stated)	2010	2009
Net sales, SEK M	8,560	7,031
Share of Group net sales, %	31	28
EBITDA, SEK M	906	438
EBITDA, %	10.4	6.1
Operating profit, SEK M	529	34
Operating profit, including items affecting comparability, SEK M	452	11
Operating margin (ROS), %	6.0	0.4
Capital employed, SEK M	3,713	4,162
Return on capital employed (ROCE), %	13.1	0.8
Capital expenditures, SEK M	278	212
Operating cash flow, SEK M	640	450
Operating cash flow/Operating profit, %	121	1,324
Number of employees at year-end, including insourced staff and temporary employees	6,595	5,927

## Market trend

During the year, total global car production increased significantly compared with 2009. Production was higher in all geographic regions and the largest percentage increase was in North America.

## Sales and earnings

Organic sales for full-year 2010 rose 29 percent (decrease: 18).

Operating profit improved strongly during the year due to the strong rise in demand and positive effects from capacity and cost adaptations.

Efficient management of working capital and improved earnings contributed to a strong operating cash flow.

## Key events

- As part of the continued focusing of the business area, the hoses for light vehicles operation (Fluid Solutions) was divested.
- Continued activities in emerging markets to capitalize on the increased volume. In Russia, serial deliveries commenced, while sales in India

doubled. An R&D center was opened in Shanghai, China.

- Continued development of the technological and global platform to further strengthen competitiveness, thus gradually yielding improved positions and higher order intake.
- Relocation of operation from Höhr-Grenzhausen, Germany to Breuberg, Germany.
- Jim Law new Business Area President from January 1, 2011.

## Events after year-end

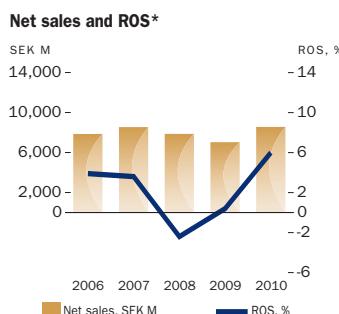
- Letter of intent with Freudenberg to form a 50/50 joint-venture antivibration solutions company for light and heavy vehicles (see above and page 19).

## Market position, no. 1-3 EU NAFTA Globally

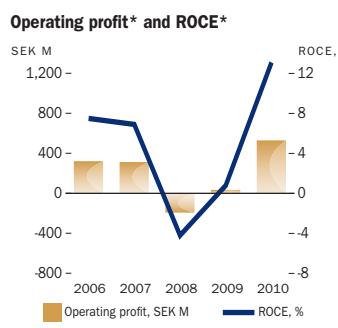
Vibration damping for the automotive industry			
Brake shims			
Vehicle boots			



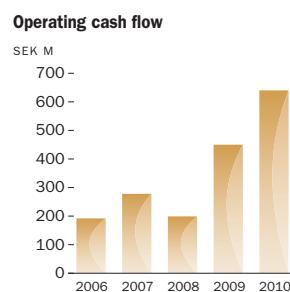
In January 2011, Trelleborg and Freudenberg signed a letter of intent to form a 50/50 joint-venture company in antivibration solutions for light and heavy vehicles. The new company will comprise Trelleborg Automotive's antivibration solutions operation and Freudenberg's corresponding operation, Vibracoustic. Combined annual sales is expected to amount to about SEK 12 billion, with 8,100 employees in 17 countries. The part of Trelleborg Automotive that will be included in the company accounts for approximately 75 percent of the sales in Trelleborg Automotive and has annual sales of approximately SEK 6,300 M, with about 5,200 employees. The business outside the antivibration area will not be affected. Read more on page 19.



\*Excluding items affecting comparability



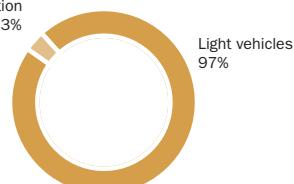
\*Excluding items affecting comparability



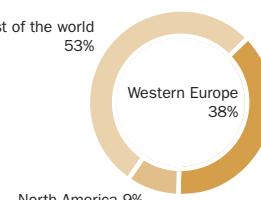
#### Net sales per geographic market



#### Net sales per segment



#### Employees per geographic market



## Three questions to Jim Law Business Area President, Trelleborg Automotive



### What were you most pleased with in 2010?

In general, 2010 was a good year. The divestment of the Fluid Solutions business, was completed in a good manner and was a key step in defining our focus in NVH (noise, vibration, harshness). Despite sharp increases in underlying raw material costs, earnings improved in all units. Our market positions have

improved and the cash flow remained strong.

### What are the principal opportunities and risks you currently face in your business environment?

In terms of volume, the trend in the global car market still appears promising, although there are geographic differences with a strong increase in growth regions, where we have increased our presence in recent years. We are already planning for additional expansion in the BRIC countries.

Regarding costs, it is important to continuously monitor raw material prices. A steep rise in prices was noted in 2010. In my opinion, the general volume trend and the price trend for raw

materials constitute both an opportunity and a risk.

### What are the key strategic priorities for your business area over the next few years?

We will become the most competitive supplier in the industry in terms of innovation, global presence and cost base. We will strengthen our positions, which is the basis for a sustained improvement in profitability.

There will be further consolidation in our primary segment. Our intention to form a joint-venture company with Freudenberg in antivibration solutions is a major step in this process (refer to the previous page and page 19).

# Seals that ensure reliability and service life in demanding environments

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

## Market segments:

**General industry:** advanced sealing solutions in specialty materials designed for a range of industrial applications. The largest product groups are O-rings, rotary seals and hydraulic seals.

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

**Automotive:** advanced and often safety-critical seals, mainly for fuel systems, steering, air conditioning and exhaust systems.

**Transportation equipment, Agriculture, Offshore oil/gas:** safety-critical precision seals for use in, for example, trains, engineering and agricultural equipment and offshore oil/gas.

## Production units:

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

## Market offices:

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

## Strategic priorities:

- Increase market shares by offering the market's best service to selected customers.
- Growth through acquisitions. Monitor and act on potential acquisition candidates in selected markets.
- Ensure ultimate production structure and increase the proportion of production in high growth countries.
- Recruit, develop and retain talented individuals.

## Examples of brands:

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

## Key customers:

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

## Principal competitors:

Federal Mogul, Freudenberg, Green Tweed, Hutchinson, NOK, Parker Hannifin, Saint Gobain and SKF.

## 2010: Increase in demand, primarily in general industry – marked improvement in operating profit.

Key figures (excluding items affecting comparability unless otherwise stated)	2010	2009
Net sales, SEK M	5,783	4,673
Share of Group net sales, %	21	19
EBITDA, SEK M	1,071	497
EBITDA, %	18.5	10.6
Operating profit, SEK M	876	280
Operating profit, including items affecting comparability, SEK M	854	128
Operating margin (ROS), %	15.1	6.0
Capital employed, SEK M	6,545	7,156
Return on capital employed (ROCE), %	12.9	3.7
Capital expenditures, SEK M	180	91
Operating cash flow, SEK M	885	783
Operating cash flow/Operating profit, %	101	280
Number of employees at year-end, including insourced staff and temporary employees	5,110	4,485

## Market trend

Demand in the light vehicles and aerospace industries was higher than in 2009 while overall demand in the general industry segment was significantly higher than in 2009.

## Sales and earnings

Organic sales rose 33 percent (decrease: 28) for full-year 2010.

The operating profit and operating margin were significantly higher than in the preceding year due to higher demand and a more efficient structure.

The cash flow remained strong, primarily due to improved earnings and efficient management of working capital.

## Key events

- The business area continued to capture market shares and strengthen its market positions during the year.
- Extensive measures were taken to streamline and adapt the production structure to the global market, while still maintaining the existing market organization.

■ To prepare for a future upturn in the markets experiencing highest growth, investments were made in China, India and Brazil.

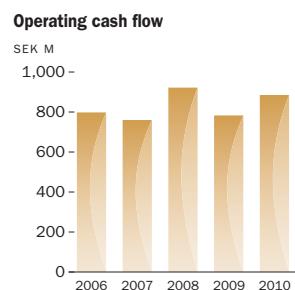
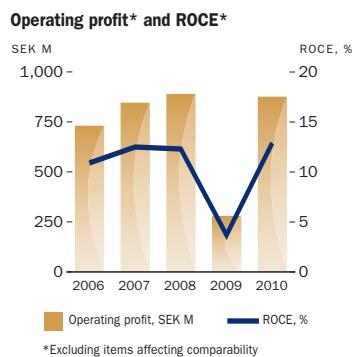
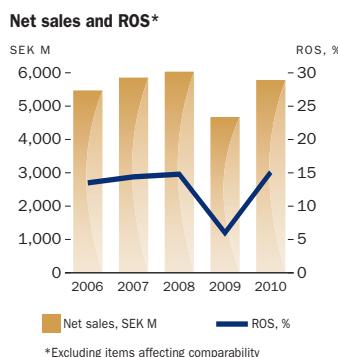
■ The total number of production units was reduced through the closure of a unit in North America and by merging and restructuring plants in Europe.

■ The acquisition of Lutz Sales Inc. strengthens the presence in North America, primarily in the food and pharmaceuticals industries.

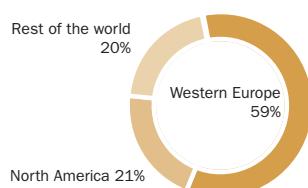
## Market position, no. 1-3 EU NAFTA Globally

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

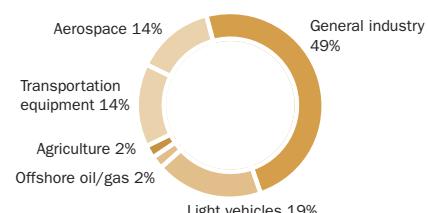
**Essential seals** Trelleborg has several decades of experience of developing solutions that meet the demands of the food and beverage and pharmaceutical industries with respect to reliability and total cleanliness. This has yielded unique know-how of polymer seals used in a range of applications, from maintaining a vacuum seal to withstanding aggressive chemical fluids.



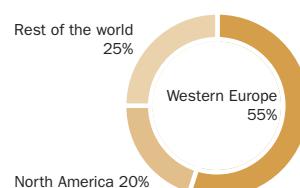
#### Net sales per geographic market



#### Net sales per segment



#### Employees per geographic market



## Three questions to Claus Barsøe Business Area President, Trelleborg Sealing Solutions



### What were you most pleased with in 2010?

In recent years, we have enhanced the efficiency of our structure and processes and we now have a more streamlined organization. Our business model has helped us to maintain our focus on customers' needs, while we adapted our production capacity and supplier base. We have improved productivity and the

break-even level has been significantly reduced. The order backlog was bolstered at the same time as profitability and cash flow improved due to streamlining measures implemented.

### What are the principal opportunities and risks you currently face in your business environment?

Our business model gives us many competitive advantages. We have an efficient organization and are well positioned to offer value-generating products and solutions to the most attractive customers. Volatile demand, rapidly growing economies and higher raw material prices represent both opportunities and risks for the business area.

### What are the key strategic priorities for your business area over the next few years?

To focus on profitable growth in our primary segments – industry, aerospace and automotive – through investments in a number of growth initiatives. We will launch an investment program to enhance manufacturing and purchasing efficiency in growth countries and also continue investments in developing tools aimed at boosting growth, in addition to further developing our innovative service offering. We will also monitor potential acquisition candidates to increase growth in our key segments.

# Damping tires protect harvests and forests

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



## Market segments:

**Agricultural:** tires and wheel systems for tractors and other vehicles used in agriculture and forestry. The business area is a leader in the segment for extra-large tires, in which Trelleborg has a broad range.

**Transportation equipment:** Wheels and complete wheel systems for materials-handling vehicles used at such facilities as airports, ports and warehouses, including forklift trucks and other highly utilized and high-load materials-handling vehicles.

## Production units:

Italy, Latvia, Sri Lanka and Sweden.

## Market offices:

Africa, Asia, Australia, Europe, the Middle East, and North and South America.

## Strategic priorities:

- Consolidation of the strong position held in Agricultural & Forest Tires through further development of the customer offering and additional geographic expansion.
- Capitalize on implemented structural measures to proactively expand in attractive segments and markets.
- Maintain strong positions among OEM customers and further develop aftermarket customers through continued focused and customer-centric innovation.
- Recruit, develop and retain talented individuals.

## Examples of brands:

Trelleborg®, Bergougnan®, Rota®, Monarch®, Mastersolid® and Orca.

## Key customers:

Manufacturers of agricultural and forest machinery, tire and machinery sales companies and end customers. Original equipment manufacturers of forklift trucks, transport companies, authorities and organizations responsible for infrastructure.

## Principal competitors:

Aichi, Alliance, Bridgestone, Continental, Firestone Nokian, Goodyear/Titan, Michelin, Mitas, MITL and Solideal.

## 2010: Global increase in demand for industrial tires, significantly weaker in the agricultural segment.

Key figures (excluding items affecting comparability unless otherwise stated)	2010	2009
Net sales, SEK M	2,990	2,991
Share of Group net sales, %	11	12
EBITDA, SEK M	360	383
EBITDA, %	12.0	12.8
Operating profit, SEK M	263	283
Operating profit, including items affecting comparability, SEK M	247	267
Operating margin (ROS), %	8.8	9.5
Capital employed, SEK M	1,712	1,835
Return on capital employed (ROCE), %	14.1	13.9
Capital expenditures, SEK M	104	176
Operating cash flow, SEK M	251	520
Operating cash flow/Operating profit, %	95	184
Number of employees at year-end, including insourced staff and temporary employees	1,918	1,829

## Market trend

Global demand for industrial tires improved compared with 2009. In the Agricultural segment, demand was significantly weaker primarily due to a sharp drop in new production of agricultural machinery. The trend for markets outside North America and Western Europe was positive, both in terms of volume and earnings.

## Sales and earnings

Organic sales rose 7 percent (decrease: 26) for full-year 2010. The demand for industrial tires improved gradually during the year while demand for agricultural tires was weaker than in 2009.

The weaker demand for agricultural tires in the early part of the year impacted operating profit, which was slightly better than in 2009, excluding exchange-rate effects.

Operating cash flow improved steadily during the year.

## Key events

- Retained profitability despite volume downturn. Contributory factors included

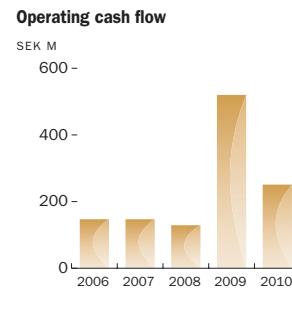
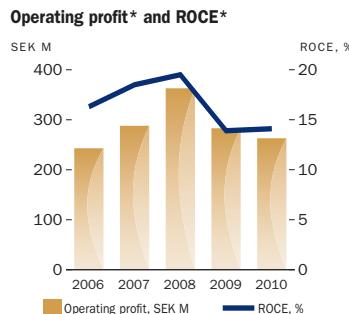
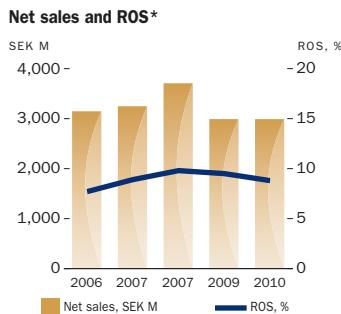
a positive product and channel mix, distinct focus on core customers and a flexible cost structure, where the recently implemented concentration of industrial tire manufacturing to Sri Lanka started to yield positive results.

- Additional investments in new, innovative production process that facilitate enhanced performance, efficiency and quality at the production unit in Tivoli, Italy.
- Continued broadening and strengthening of the business area's offerings.
- The agreement for the acquisition of the Watts Group will strengthen the globally leading position in industrial tires. The acquisition was completed on February 4, 2011.

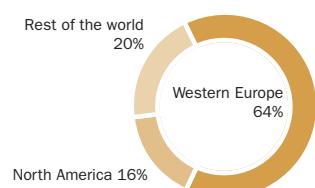
## Market position, no. 1-3 EU NAFTA Globally

Agricultural tires	■	■
Forestry tires	■	■
Solid industrial tires	■	■

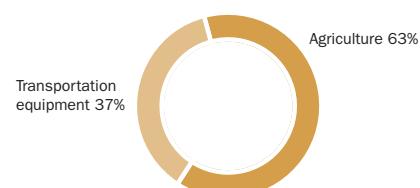
**With New Holland and Trelleborg you can go anywhere** New Holland selected Trelleborg as the tire supplier for two models in its prestigious Blue Power range. Trelleborg was chosen for the unique performance of its tires, its specialist expertise in the agricultural sector and its professional technical assistance.



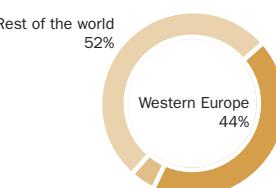
#### Net sales per geographic market



#### Net sales per segment



#### Employees per geographic market



## Three questions to Maurizio Vischi

Business Area President, Trelleborg Wheel Systems



### What were you most pleased with in 2010?

While demand in the agricultural segment remained weak in 2010, the recovery in the industrial segment was strong. In both segments, raw materials prices rose dramatically. Despite this, the business area succeeded in maintaining its historically high profitability, an EBITDA margin of 12 percent, thanks to contin-

ued focus on implementing measures to offset these price increases.

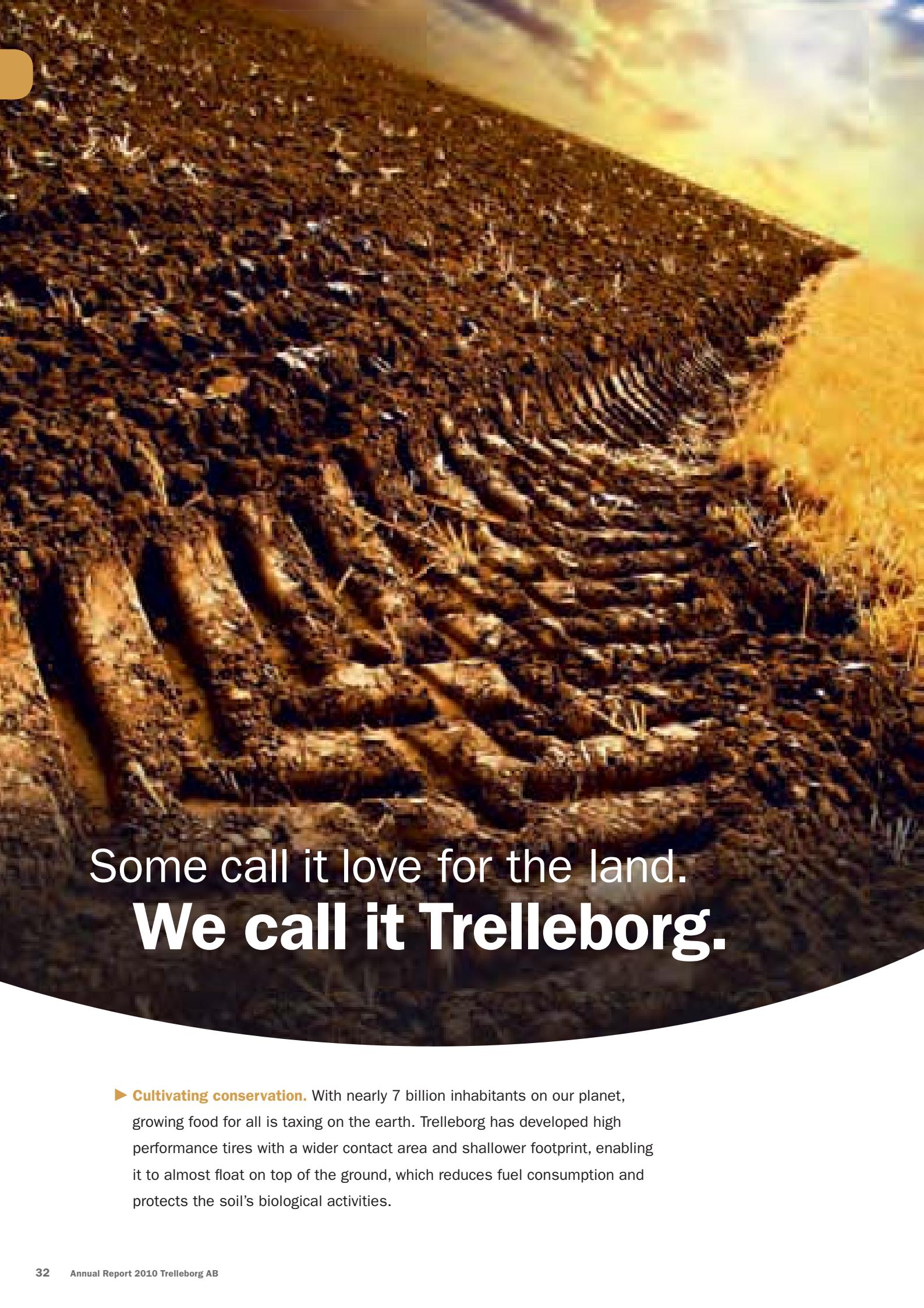
### What are the principal opportunities and risks you currently face in your business environment?

The business areas two segments remain highly attractive. This is mainly a result of favorable macroeconomic trends, which include rapid population growth, greater demand for biofuels and the global rise in the need for transport.

The business area continues to further develop its leading positions through organic growth and strategic acquisitions, such as the Watts Group, which was acquired at the end of 2010.

### What are the key strategic priorities for your business area over the next few years?

In many markets in Western Europe and North America, where the business area is one of the principal players, growth is restricted. However, such emerging markets as Brazil, China and Russia have begun to show more interest in high-tech products and products that generate value. This provides significant expansion potential through greater presence in these markets.



Some call it love for the land.  
**We call it Trelleborg.**

► **Cultivating conservation.** With nearly 7 billion inhabitants on our planet, growing food for all is taxing on the earth. Trelleborg has developed high performance tires with a wider contact area and shallower footprint, enabling it to almost float on top of the ground, which reduces fuel consumption and protects the soil's biological activities.



# GOVERNANCE AND RESPONSIBILITY

<b>Risk Management</b>	<b>34-39</b>
Prioritized risk areas .....	35
Financial risk management .....	37
<b>Corporate governance report</b>	<b>40-51</b>
Foreword by the Chairman of the Board .....	40
Corporate governance .....	41
Board of Directors .....	44
Group Management .....	46
Overview of governance in the Trelleborg Group .....	48
Report by the Board of Directors on Internal Control ..	50
<b>Corporate Responsibility</b>	<b>52-65</b>
Foreword by the President and CEO .....	52
Corporate Responsibility .....	53
Target indicators, outcome and progress in 2010 .....	54
Active stakeholder dialog .....	55
Environmental responsibility .....	56
Responsibility for employees and workplace .....	58
Responsibility for customer and suppliers .....	60
Responsibility for society and the community .....	62
Index .....	64
Assurance report .....	65

# Risk management

All business activities involve risk. Risks that are well-managed can lead to opportunities and create value, while risks that are not managed correctly may result in damage and losses. Accordingly, the ability to manage risks is an important part of the steering and control of Trelleborg's business operation to achieve the Group's targets while applying well-considered risk-taking within set parameters. In recent years, Trelleborg has worked to increasingly integrate risk management in the Group's strategy process and in the operational business.

## Trelleborg's areas of risk

Trelleborg has a diversified operation that is aimed at a range of customers and customer segments, and is represented in many geographic markets. Combined, this offers an effective diversification of risks. However, like all companies, Trelleborg is influenced by a variety of strategic, operational, legal and reporting risks, among others, which play an important part in the future development of the Group.

*Strategic and operational risks* relate to industry and market risks, including the economy's effect on demand, competition and price pressure, as well as the supply and price fluctuations of raw materials and components. Other examples are technology and market developments, external risks, such as climate change, conflicts or natural disasters, supplier dependence, production disruptions, the ability to attract and retain key personnel, the acquisition and integration of new units, divestments and structural measures. Financial risks include financing risks, liquidity risks, foreign exchange risks, interest-rate risks and financial credit risks.

*Legal risks* comprise legislation and regulations, intellectual property rights, health, safety and the environment, authorities and control bodies, tax risks and disputes and damage claims.

*Reporting risks* include the risk of incorrect reporting to authorities and the risk of mistakes when reporting the Group's earnings and financial position to the stock market.

## Control and processes

Trelleborg works in a continuous Enterprise Risk Management process (ERM) to identify, assess and manage risks in the Group's companies, business areas and processes, with the overall aim of ensuring that the Group manages its risks effectively and systematically, and that it assigns the correct priorities.



The ERM process forms a framework for the Group's work in relation to risk management. Part of this work entails the integration of previously established risk management processes and systems in the ERM process. Another purpose of the ERM process is to strengthen risk management in areas that are insufficiently developed. This is achieved through better prioritization of risk and the risk work by deploying resources where they can be most beneficial, thus strengthening risk management as a whole.

The ERM process is a centrally controlled process led by the ERM Board, which is composed of representatives from the business areas and Group staff functions, with the General Counsel assuming primary responsibility. This organization enables a clear Group-wide overview of the Group's risks, and how, where and by whom they are managed.

With the support of the Group's central resources and shared processes and tools, the day-to-day risk management work is conducted in the Group's business areas and units. It is the duty of each manager to supervise and develop their respective areas of responsibility, which include identifying opportunities and risks, and following up activities on a regular basis. The operation is then systematically monitored by Group management using such tools as monthly reports in which the managers describe developments within their respective areas of responsibility as well as identified risks.

## 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 the framework for managing these risks within the Group. The Treasury Policy defines the financing operation's purpose, organization and distribution of responsibility and prescribes a framework for the financial risk management activities. The Finance Committee of the Board of Directors reviews the Treasury Policy and proposes changes annually, or more frequently if necessary, after which the Treasury Policy is adopted by the Board.

The Group's treasury activities are centralized in Group Treasury, an in-house bank that functions both as an operating unit and as a service organization. Group Treasury is responsible for the Group's external bank relations, liquidity management, financial net, interest-bearing liabilities and assets as well as for shared payment systems and netting. Centralization results in substantial economies of scale, a lower financial net, a tight management of the Group's financial risks and improved internal control. The Group's Treasury Policy permits a certain level of proprietary trading in currency and interest-rate instruments. Such trading generated a profit during the year.



## 2010 in brief

In 2010, the primary risks and uncertainty for the Group comprised the economic climate's impact on demand, supply and price variations of raw materials and components, structural measures, legal risks, financial risks in the operating environment and changes in value of fixed assets.

Within the framework of the ERM and strategy processes, the Risk Management staff function continued to analyze and primarily work with jumbo risks, meaning risks that can result in damage or losses that can have significant impact on the entire Group and therefore motivate the risk being handled from a Group perspective. Work on the seven prioritized risk areas based on previously identified jumbo risks continued and – within the framework of the Internal Control process – three new risks were added: Site security, the Purchasing process and IT security. These ten prioritized risk areas have been included in the strategic plan approved by the Board of Directors.

During 2010, the focus of the risk management work has been placed on

protection of sites that are of critical importance for the Group's operations and profitability. Specific action plans were produced to significantly raise the level of protection for 33 sites. Of these, the aim is to raise security at 17 sites to a Highly Protected Risk level, which is the highest risk classification.

In 2010, the management of insurance issues and specific risk management changed for the purpose of raising internal awareness of Group-specific risks and creating improved internal communication. Therefore, in selected areas, the utilization of external resources, such as insurance brokers and risk consultants, has been reduced and the issues are now managed internally in the Risk Management staff function, which has also led to greater cost efficiency.

## Activities in focus 2011

In 2011, the ERM process will be developed through the introduction of an approach aimed at systematically identifying risks. This will enable risks to be continuously monitored in line with the current procedures applied to risks relating to financial reporting. The ERM pro-

cess will thus become more integrated in business operations and changes in the risk situation can be tracked over time. Implementation will be conducted by Group Internal Control and Group Risk Management.

Based on the completed Group-wide risk program, the Trelleborg Group management and Board of Directors decided to continue work on the ten prioritized risk areas described in more detail on pages 35-36.

### Prioritized activities in 2011 include:

- implementation of the action plans drawn up for sites to significantly raise security levels.
- combating corruption and review of Group-wide structures, including consideration of the new UK Bribery Act.
- risk management processes for products and applications in environments with elevated risk levels.

## Related information

Overview of governance in the Trelleborg Group	pages 48-49
Internal Control	pages 50-51

## Prioritized risk areas

	Processes and risk management
<b>Risk-management processes for products and applications in environments with elevated risk levels</b>	<ul style="list-style-type: none"> <li>• Comprehensive and systematic identification and evaluation of product portfolio risks was conducted by the Trelleborg Engineered Systems and Trelleborg Sealing Solutions business areas. A variety of criteria were assessed, including the exposure of products, the size of contracts and the launch of new products and technologies.</li> <li>• Since 2009, the business units for offshore oil/gas, marine fenders and aerospace have had an established process for risk management known as the Contract Risk Pack. It highlights the risks of the product, application and manufacturing process, and links these to the contractual risks. In 2011, the application of this process will commence in more business units in the Group. In line with the aforementioned, auditors from the Group's insurance companies completed risk analyses at several units with a focus on product-related risks. This process will continue in 2011.</li> </ul>
<b>Assurance of legal appropriateness and quality of supply agreements</b>	<ul style="list-style-type: none"> <li>• Several processes were initiated to improve the assurance of the legal appropriateness and quality of the Group's agreements. The initiative was supported by the Group Legal Department but is being implemented on-site in the business units. Examples include the production of standard forms, the use of checklists for risk assessments, policies governing liability caps and signing procedures for agreements.</li> <li>• The Contract Risk Pack is utilized to ensure the appropriateness of contracts and the implementation of this will continue in 2011.</li> <li>• During the year, the structure supporting the examination of contracts was further strengthened through the implementation of a comprehensive examination process that ensures that the majority of contracts are examined in accordance with central guidelines. The guidelines, known as The Eleven Commandments, related to fundamental and prioritized contract issues.</li> </ul>

### The Contract Risk Pack process

Risk pack is a risk assessment tool that relates to the balanced risk between the contractual commitment, commercial conditions and the resources available in production. The Trelleborg Group has designed the system internally and implemented it in the majority of its operations since 2009. The prioritized areas include offshore, marine fenders and aerospace.



Examination of contracts is conducted at the subsidiaries by their appointed contract examiner. The tool builds on a large number of criteria that are responded to and graded according to a defined points system. Depending on the outcome, further examination by internal or external lawyers will ensue. If risks are deemed in excess of a specific level, the contract must be approved higher up in the organization, at the business area president level and, in some cases, at CEO level. The platform for the tool is standardized but is drawn up for each product area and customized in workshops to suit each business.

**Prioritized risk areas, continued from page 35**

<b>Processes and risk management</b>	
<b>Plants exposed to natural disaster risks</b>	<ul style="list-style-type: none"> <li>A thorough analysis of natural disaster risks of all business units was performed jointly with FM Global, the company's property and business interruption insurers.</li> <li>To a great extent, the action program produced as a result of the aforementioned analysis has been implemented in 2010. The action program aimed to reduce risks by increasing site protection, raising awareness of the risks among local management and creating and enhancing procedures to ensure a high level of preparedness if a natural disaster were to occur. Examples of activities implemented include the introduction of emergency plans, a review of roof installations and the installation of automatic shut-off of incoming gas.</li> </ul>
<b>Plants at which accidents could have a potentially adverse environmental impact</b>	<ul style="list-style-type: none"> <li>Valuable information about the various risks at our plants is found in different parts of the Group. An improved process that views risks at a general and accumulated level facilitates a better assessment of the impact on the Group. Risk analyses are now conducted at plants in conjunction with entering property insurance agreements, ISO 14000 certification, the collection and analysis of chemicals in, for example, REACH work, and evaluations of operations as performed by local authorities.</li> <li>Following evaluation, the plants that are deemed to pose a potential risk to the environment were included in the risk work and action programs were introduced in 2010. In collaboration with local environmental management teams, FM Global has identified the dangerous chemicals that exist, and how they are utilized, stored and protected.</li> </ul>
<b>Protection of plants of critical importance to the Group's operations and profitability</b>	<ul style="list-style-type: none"> <li>Tools used in the analysis work include a Business Impact Analysis (BIA), which studies the plant's current risks, and the strategy plan, which identifies future opportunities and values. The action plan to be applied depends on the results obtained. Plants of high strategic value can, for example, be equipped with water sprinklers or local sprinkler protection in particularly critical plant areas to prevent disruptions to production.</li> <li>The process of improving implementation of continuity plans that enhance preparedness for the Group's operations continues.</li> <li>During the year, the ERM Board prepared a list of critical plants that will be in focus. In 2010, Risk Dashboards were created of these critical plants in addition to a plant-specific ID card describing the risk status of the unit in question.</li> <li>In addition, specific action programs have been produced to significantly raise the level of security for 33 of the Group's sites. Of these, the aim is to raise the level for 17 sites to the Highly Protected Risk (HPR) level, which is the highest risk classification.</li> </ul>
<b>Competition regulations</b>	<ul style="list-style-type: none"> <li>A detailed review and audit of distribution and agent agreements was performed in 2009 and 2010, and a new policy was implemented.</li> <li>Procedures for approving memberships of organizations are in place.</li> <li>Since 2006, more than 70 training seminars in competition regulations have been held for the Group's managers and selected functions. About a dozen training seminars were held in 2010. These courses, which also address combating corruption, will continue in 2011.</li> <li>In 2010, as part of an agreement with the United States Department of the Navy, Trelleborg completed the Trelleborg Corporation Enhanced Compliance and Training Program to further strengthen the knowledge of competition regulations among the Group's employees in the US.</li> </ul>
<b>Combating corruption</b>	<ul style="list-style-type: none"> <li>The implementation of the Code of Conduct is carried out by focusing more intently on certain specific sections and by maintaining a high standard in the continuous implementation activities.</li> <li>In 2010, about 20 internal auditors completed training in the Code of Conduct.</li> <li>Procedures for Acceptance Letters issued by the Group's President, whereby employees sign a letter each year to confirm that they will adhere to the Group's steering instruments, are established.</li> <li>A web-based training program has been developed in 2010 for implementation in 2011. The procedures for Whistleblower have been revised over the year and strengthened to further facilitate reporting by employees of the Group of any deviations that may occur.</li> </ul>
<b>The purchasing process</b>	<ul style="list-style-type: none"> <li>An environmental and code of conduct inventory of the Group's major suppliers has been conducted since 2009.</li> <li>In 2011, an additional dimension will be added when an evaluation is introduced of the overriding risks, including credit risks and the risk of disruption to production due to natural disasters.</li> </ul>
<b>Site security</b>	<ul style="list-style-type: none"> <li>In 2010, a more extensive examination of security conditions in the Group companies commenced and was based on three differing perspectives; the individual, travel and information.</li> <li>Furthermore, a review commenced of the organization of security.</li> <li>Work will continue in 2011 in respect of items including the preparation and implementation of the policy and Group-wide steering instruments.</li> </ul>
<b>IT Security</b>	<ul style="list-style-type: none"> <li>During 2010, Trelleborg has worked actively with an IT optimization project. The aim is to improve service levels regarding the IT infrastructure, the implementation of upgrades in a structured Group-wide manner and ensuring legislative compliance in business operations and in the countries in which the Group operates, and to increase information security in and between systems.</li> </ul>

## Financial risk management

Risks and Policies	Exposure	Comments																		
<p><b>Financing risks and liquidity risk</b> Financing risk is defined as the risk that the refinancing of maturing debt may be difficult or costly to arrange, thereby impeding the Group's ability to fulfill its payment obligations.</p> <p>Liquidity risk refers to the risk of not being able to fulfill payment obligations as they fall due.</p> <p><b>Policy</b> Contracted credit facilities with a term of at least 12 months must be available in an amount equivalent to the Group's gross debt. Furthermore, the Group must maintain a liquidity reserve corresponding to at least 5 percent of its consolidated net sales. The Group aims to achieve a debt/equity ratio of between 50 and 100 percent.</p>	<p>Throughout 2010, the Group maintained contracted loans and credit facilities in an amount exceeding the total of its consolidated gross debt plus a policy liquidity reserve requirement corresponding to at least 5 percent of consolidated sales.</p> <p>At year-end 2010, the Group's total interest-bearing liabilities amounted to SEK 7,505 M (9,045). Short-term liabilities, maturing in 2011, amounted to SEK 3,162 M (2,529) and comprised short-term bilateral bank borrowings of SEK 1,562 M (670), commercial paper of SEK 1,139 M (1,599) and the short-term portion of long-term debt of SEK 460 M (260). Long-term liabilities amounted to SEK 4,343 M (6,516) and consisted mainly of drawings under the Group's syndicated loan, contracted in 2005, of SEK 3,545 M (3,970), bilateral bank debt of SEK 347 M (1,514) and outstanding bonds of SEK 451 M (1,032). Short-term liabilities are backstopped by the long-term committed confirmed credit lines reported below.</p> <p>At the end of 2010, the Group's committed confirmed credit lines comprised a syndicated loan, several bilateral revolving credit facilities and a loan commitment amounting to EUR 80 M (SEK 721 M) from the European Investment Bank. The syndicated loan, in the form of a multicurrency revolving credit with swingline facility, consists of two tranches of EUR 750 M (SEK 6,758 M) and USD 600 M (SEK 4,083 M). The major part of the loan, corresponding to SEK 10,464 M, matures in March 2012, while the remainder (SEK 377 M) matures in March 2011. The Group's long-term bilateral revolving credit facilities comprised a EUR 30 M (SEK 270 M) facility maturing in 2011, a EUR 50 M (SEK 451 M) facility maturing in 2014 as well as two facilities totaling EUR 241 M (SEK 2,177 M) maturing in 2016. The loan commitment from the European Investment Bank enables the Group to raise loans of up to EUR 80 M with maturities of up to seven years for the period ending June 14, 2012. The Group's committed confirmed credit lines totaled SEK 14,757 M (16,229) at year-end 2010, of which an amount of SEK 10,775 M (11,815) was then undrawn.</p> <p><b>Group's capital structure</b></p> <table border="1"> <thead> <tr> <th>SEK M</th> <th>2010</th> <th>2009</th> </tr> </thead> <tbody> <tr> <td>Interest-bearing liabilities (Note 27)</td> <td>7,505</td> <td>9,045</td> </tr> <tr> <td>Less: Interest-bearing assets (Notes 16, 22 and 24)</td> <td>-1,096</td> <td>-676</td> </tr> <tr> <td>Total net debt</td> <td>6,409</td> <td>8,369</td> </tr> <tr> <td>Total shareholders' equity</td> <td>12,196</td> <td>12,361</td> </tr> <tr> <td><b>Debt/equity ratio</b></td> <td><b>53%</b></td> <td><b>68%</b></td> </tr> </tbody> </table>	SEK M	2010	2009	Interest-bearing liabilities (Note 27)	7,505	9,045	Less: Interest-bearing assets (Notes 16, 22 and 24)	-1,096	-676	Total net debt	6,409	8,369	Total shareholders' equity	12,196	12,361	<b>Debt/equity ratio</b>	<b>53%</b>	<b>68%</b>	<ul style="list-style-type: none"> <li>The Group has favorable access to the money markets through a Swedish domestic commercial paper program totaling SEK 4,000 M.</li> <li>Access to capital markets has historically been through Swedish domestic bonds as well as bilateral and syndicated bank loans. In 2010, the Group established a Medium Term Note (MTN) program with a financial envelope of SEK 3,000 M for issue in the Swedish market. As yet, no bonds have been issued under the program.</li> <li>Trelleborg is working actively on the refinancing of the existing syndicated loan, the majority of which will mature in 2012.</li> </ul>
SEK M	2010	2009																		
Interest-bearing liabilities (Note 27)	7,505	9,045																		
Less: Interest-bearing assets (Notes 16, 22 and 24)	-1,096	-676																		
Total net debt	6,409	8,369																		
Total shareholders' equity	12,196	12,361																		
<b>Debt/equity ratio</b>	<b>53%</b>	<b>68%</b>																		

## Financial risk management, continued from page 37

Risks and policies	Exposure	Comments																								
<b>Foreign exchange risk</b>																										
<p><b>Transaction exposure</b> Currency flows arising when goods and services are bought or sold in currencies other than a Group company's local currency lead to transaction exposure.</p> <p><b>Policy</b> Group companies may hedge a maximum of 100 percent of their forecast net exposure per currency pair over a rolling forward period of 12 months as well as up to 100 percent of invoiced flows per currency pair. Projects with an order value exceeding an amount of EUR 1 M must always be hedged.</p>	<p><b>Currency pairs with largest net flows over 12 months forward from the fourth quarter of 2010 (sek m)</b></p> <table> <thead> <tr> <th>Currency pair</th> <th>Net flows</th> <th>Hedging</th> </tr> </thead> <tbody> <tr> <td>EUR/USD *</td> <td>349</td> <td>-2 1%</td> </tr> <tr> <td>GBP/SEK</td> <td>228</td> <td>-18 8%</td> </tr> <tr> <td>USD/CNY</td> <td>189</td> <td>0%</td> </tr> <tr> <td>EUR/SEK</td> <td>-181</td> <td>34 19%</td> </tr> <tr> <td>USD/SEK</td> <td>-180</td> <td>0%</td> </tr> <tr> <td>EUR/DKK</td> <td>169</td> <td>-128 76%</td> </tr> </tbody> </table> <p>* EUR/USD includes flows in currencies that covary with EUR and USD, such as DKK and LKR</p> <p>The table shows all currency pairs whose net flows over a forward period of 12 months from the fourth quarter of 2010 are budgeted to exceed sek 100 m equivalent. Also shown are the amounts hedged per currency pair at December 31, 2010. A positive net flow indicates that inflows exceeded outflows. For the stated forward period, the currencies with the greatest budgeted net flows are USD (sek -615 m equivalent), GBP (sek 305 m) equivalent and BRL (sek 135 m equivalent).</p>	Currency pair	Net flows	Hedging	EUR/USD *	349	-2 1%	GBP/SEK	228	-18 8%	USD/CNY	189	0%	EUR/SEK	-181	34 19%	USD/SEK	-180	0%	EUR/DKK	169	-128 76%	<ul style="list-style-type: none"> <li>Trelleborg's global operations give rise to substantial cash flows in foreign currencies. Group Treasury works actively to enhance the matching of these flows, thereby reducing the Group's foreign exchange risk and transaction expenses. At a Group level, the greater part of these flows is netted off against each other.</li> <li>The Group's net transaction exposure amounts to an annual value of approximately sek 1,200 M (2,200).</li> <li>According to the Trelleborg Group's Treasury Policy, decisions regarding the hedging of operating cash flows are made by the individual business areas in collaboration with Group Treasury, which manages hedging activities centrally. All foreign exchange transactions of Group companies must be conducted in conjunction with Group Treasury which ensures compliance with the Group's Treasury Policy.</li> <li>The main instruments used to hedge operating cash flows are currency forward contracts, currency swaps and currency options.</li> </ul>			
Currency pair	Net flows	Hedging																								
EUR/USD *	349	-2 1%																								
GBP/SEK	228	-18 8%																								
USD/CNY	189	0%																								
EUR/SEK	-181	34 19%																								
USD/SEK	-180	0%																								
EUR/DKK	169	-128 76%																								
<p><b>Translation risk – Income statement</b> Exchange-rate movements impact the Group's earnings when the income statements of foreign Group companies are translated to sek. Since the Group's earnings are largely generated outside Sweden, the impact on the consolidated income statement can be substantial.</p> <p><b>Policy</b> The Group does not normally hedge this risk.</p>	<p><b>Translation effects: currency effects on income statement 2010 (sek m)</b></p> <table> <thead> <tr> <th>Currency</th> <th>Net sales</th> <th>Operating profit</th> <th>Net profit/loss</th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td>-1,245</td> <td>-74</td> <td>-43</td> </tr> <tr> <td>GBP</td> <td>-136</td> <td>-8</td> <td>-6</td> </tr> <tr> <td>USD</td> <td>-352</td> <td>-20</td> <td>-2</td> </tr> <tr> <td>Other</td> <td>26</td> <td>-20</td> <td>-14</td> </tr> <tr> <td><b>Total</b></td> <td><b>-1,707</b></td> <td><b>-122</b></td> <td><b>-65</b></td> </tr> </tbody> </table>	Currency	Net sales	Operating profit	Net profit/loss	EUR	-1,245	-74	-43	GBP	-136	-8	-6	USD	-352	-20	-2	Other	26	-20	-14	<b>Total</b>	<b>-1,707</b>	<b>-122</b>	<b>-65</b>	<ul style="list-style-type: none"> <li>Upon translation of the income statements of foreign subsidiaries, exchange-rate movements negatively affected the Group's operating earnings for the year of continuing operations by a total of sek 122 m (pos: 65) and net profit in a negative amount of approximately sek 65 m (0).</li> </ul>
Currency	Net sales	Operating profit	Net profit/loss																							
EUR	-1,245	-74	-43																							
GBP	-136	-8	-6																							
USD	-352	-20	-2																							
Other	26	-20	-14																							
<b>Total</b>	<b>-1,707</b>	<b>-122</b>	<b>-65</b>																							
<p><b>Translation risk – Balance sheet</b> 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.</p> <p><b>Policy</b> Investments in foreign subsidiaries and associated companies may be hedged in a range of between 0 and 100 percent of the investment's value (which, because of the tax effect, implies a maximum hedge ratio of 70 percent). A decision to hedge follows an overall evaluation of foreign exchange levels and the effects on the financial net, liquidity and taxes, as well as on the Group's debt/equity ratio.</p>	<p><b>Sensitivity analysis: translation risk in balance sheet, after consideration of possible tax effects</b></p> <table> <thead> <tr> <th>Currency</th> <th>Net investment</th> <th>Hedging, %</th> <th>Effect on equity, if sek 1% stronger, sek m</th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td>9,995</td> <td>56%</td> <td>-59</td> </tr> <tr> <td>GBP</td> <td>1,882</td> <td>61%</td> <td>-10</td> </tr> <tr> <td>USD</td> <td>2,363</td> <td>47%</td> <td>-15</td> </tr> <tr> <td>Other</td> <td>4,636</td> <td>23%</td> <td>-36</td> </tr> <tr> <td><b>Total</b></td> <td><b>18,876</b></td> <td><b>47%</b></td> <td><b>-120</b></td> </tr> </tbody> </table>	Currency	Net investment	Hedging, %	Effect on equity, if sek 1% stronger, sek m	EUR	9,995	56%	-59	GBP	1,882	61%	-10	USD	2,363	47%	-15	Other	4,636	23%	-36	<b>Total</b>	<b>18,876</b>	<b>47%</b>	<b>-120</b>	<ul style="list-style-type: none"> <li>At year-end 2010, the Group's net investments in foreign subsidiaries and associated companies amounted to approximately sek 18,876 m (19,541).</li> <li>Translation differences in 2010 amounted to negative sek 1,223 m (neg: 454), calculated after hedging with deductions for estimated taxes.</li> <li>At year-end 2010, 47 percent (44) of net investments had been hedged.</li> <li>If sek appreciates by 1 percent in relation to all currencies in which the Trelleborg Group has foreign net investments, there would be a negative change in shareholders' equity of sek 120 m (neg: 130) after consideration of possible tax effects.</li> <li>The Group's net foreign investments have decreased mainly due to negative translation differences.</li> </ul>
Currency	Net investment	Hedging, %	Effect on equity, if sek 1% stronger, sek m																							
EUR	9,995	56%	-59																							
GBP	1,882	61%	-10																							
USD	2,363	47%	-15																							
Other	4,636	23%	-36																							
<b>Total</b>	<b>18,876</b>	<b>47%</b>	<b>-120</b>																							

### Financial risk management, continued from page 38

Risks and policies	Exposure	Comments																		
<p><b>Interest-rate risks</b> Because most of the Group's debt bears variable interest, the Group focuses on managing interest-rate cash-flow risk, meaning the risk of a negative impact that market interest-rate movements could potentially have on the Group's financial cash flow and earnings. The impact on the Group's interest income/expenses depends on the 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, by implementing interest-rate hedging as appropriate.</p> <p><b>Policy</b> <i>Borrowing:</i> The average fixed-interest term for the Group's gross borrowings, including effects of derivative instruments, may be a maximum of four years.</p> <p><i>Investments:</i> The average fixed-interest term for interest-bearing investments, including effects of derivative instruments, may be no longer than two years on a maximum amount of SEK 2,000 M, or its equivalent in other currencies.</p>	<p><b>Impact 2011 on consolidated interest expenditure of a 1 percentage point increase in interest rates</b></p> <table border="1"> <caption>Data for Impact 2011 on consolidated interest expenditure</caption> <thead> <tr> <th>Currency</th> <th>Risk before hedging (SEK M)</th> <th>Risk after hedging (SEK M)</th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td>-42</td> <td>-16</td> </tr> <tr> <td>USD</td> <td>-23</td> <td>-10</td> </tr> <tr> <td>GBP</td> <td>-7</td> <td>-3</td> </tr> <tr> <td>SEK</td> <td>10</td> <td>6</td> </tr> <tr> <td>Other</td> <td>1</td> <td>0</td> </tr> </tbody> </table> <p>Based on the Group's stock of interest-bearing net debt at year-end 2010, a 1 percentage point upward shift in the EUR interest rate curve would have a negative impact of SEK 42 M (52) before hedging, reduced to SEK 16 M (10) after hedging. The impacts on consolidated interest expenditure of similar shifts in USD and GBP interest rates would be: in respect of USD, SEK 23 M (21) before and SEK 10 M (6) after hedging and, in respect of GBP SEK 7 M (8) before and SEK 3 M (2) after hedging.</p>	Currency	Risk before hedging (SEK M)	Risk after hedging (SEK M)	EUR	-42	-16	USD	-23	-10	GBP	-7	-3	SEK	10	6	Other	1	0	<ul style="list-style-type: none"> <li>At December 31, 2010, the Group's interest-bearing debt totaled SEK 7,505 M (9,045).</li> <li>The average remaining fixed-interest term of the debt was approximately 15 months (15 months), including derivatives. Outstanding interest-bearing investments at year-end amounted to SEK 1,096 M (676), with an average period of fixed interest of approximately 3.5 months (half a month).</li> <li>The Group's net interest-bearing debt amounted to SEK 6,409 M (8,369), with an average remaining period of fixed interest of about 17 months (16 months).</li> <li>Based on the level of net debt at year-end, a 1 percentage point rise in interest rates in all currencies in which the Trelleborg Group has loans or investments would generate a net cost increase of approximately SEK 22 M (16) in net financial items for 2011.</li> <li>Based on the interest-rate hedges in place at year-end, and for which hedge accounting has been applied, an increase in the market rate of interest of 1 percentage point in currencies that have been hedged for interest-rate risk would have a positive impact on other comprehensive income of SEK 66 M (82) after tax effects.</li> <li>The Group's average interest-bearing net liabilities during the year amounted to SEK 7,847 M (10,814). Net interest items and net financial items, as a percentage of average net liabilities, amounted to 2.2 percent (3.7) and 2.8 percent (3.7), respectively.</li> <li>Outstanding interest-bearing investments are reported in Notes 16, 22 and 24. An analysis of the Group's interest-bearing debt is reported in Note 27.</li> </ul>
Currency	Risk before hedging (SEK M)	Risk after hedging (SEK M)																		
EUR	-42	-16																		
USD	-23	-10																		
GBP	-7	-3																		
SEK	10	6																		
Other	1	0																		
<p><b>Financial credit risks</b> Financial credit risk is defined as the exposure to the default of financial counterparties with which the Group has invested cash or cash equivalents or with which it has contracted financial instruments having a positive market value for the Group. Credit risk in accounts receivable is managed as an operational risk.</p> <p><b>Policy</b> Group Treasury shall work with banks that have a high credit rating and that preferably participate in the Group's medium and long-term financing. The Group's Treasury Policy contains a specific counterparty regulation that stipulates the maximum level of credit risk exposure to various counterparties. See Note 28 for further information.</p>		<ul style="list-style-type: none"> <li>Since the Group is a net borrower, excess liquidity shall primarily be used to amortize external liabilities.</li> <li>No credit losses stemming from investments of cash or cash equivalents or financial instruments occurred in 2010.</li> <li>Outstanding financial credit risk exposure at the balance-sheet date is presented in Note 28.</li> </ul>																		



# Processes

## in collaboration for greater value creation

In 2010, the global economy gradually recovered from a difficult 2009. Most businesses shifted focus from crisis thinking and savings to more aggressive, future-oriented activities. The year entailed a strong recovery for Trelleborg and, in many respects, the Board's work focused on prospective, aggressive measures to take further steps on the journey toward greater value creation for Trelleborg, our customers and our shareholders.

Recent years have shown that the Trelleborg Group's long-term strategy works well in both good times and bad. The activities conducted during the difficult years of 2008 and 2009 have generated results that we are now aggressively leveraging. The past year involved more prospective Board work with a focus on greater value creation, improved structure and a shift, both geographically and toward attractive segments. This has involved changes to the business portfolio as well as complementary acquisitions and divestments.

These efforts must be supported by sound corporate governance, and we continue to gradually develop our processes in corporate governance and responsibility. Our increasingly complex operating environment means that demand is growing for more effective risk management, governance and reporting. The challenge to those of us on the Board in achieving this is to ensure that all processes and functions work together to fulfill our goals.

Operations and value are protected by identifying risk at an early stage, thus ensuring that we have the possibility of managing them. Meanwhile, it is important to emphasize that we will not avoid risks

at all costs, but balance business opportunities against business risks.

Requirements on information are also increasing. More people want to have more information, both internally and externally. Here, transparency is a keyword.

I am therefore very pleased that we during the year were honored with the Risk Transparency Award for our risk reporting. Solid and structured transparency concerning the risk issues makes it possible for many people to challenge us by asking critical questions, thereby constantly raising the quality of our risk work.

Within Corporate Responsibility, we continue to improve our processes and, through the Audit Committee, the Board continuously monitors Trelleborg's performance in the area. Here, I view goal orientation, clear operational responsibility in implementation, collaboration and transparency as key factors in the continued work.

  
Anders Narvinger  
Chairman of the Board

# Corporate Governance

Trelleborg is a publicly traded Swedish limited liability company listed on the NASDAQ OMX Stockholm. Trelleborg applies the Swedish Code of Corporate Governance and presents its 2010 Corporate Governance Report in this section. The follow-up conducted in 2010 revealed no deviations for Trelleborg to report. The report has been examined by the company's auditor.

## Shareholders

Trelleborg's Series B shares have been traded on the NASDAQ OMX Stockholm since 1964. Share capital in Trelleborg amounted to SEK 2,620 M, represented by 271,071,783 shares, each with a par value of SEK 9.67.

Trelleborg has two classes of shares: 28,500,000 Series A shares and 242,571,783 Series B shares. Series A shares carry ten votes and Series B shares carry one vote. All Series A shares are owned by the Dunker Funds and Foundations, which comprise a number of foundations, funds and 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.

At year-end, the number of shareholders was 49,975 (49,286).

Of the total number of shares, foreign shareholders accounted for approximately 20 percent (22). Institutions accounted for the majority of ownership. At the end of the year, 74 percent (72) of the total shares were owned by legal entities, 26 percent (28) by private individuals representing 91 percent (92) and 9 percent (8), respectively, of the total number of votes.

For further information on the share and shareholders, refer to pages 104-105 and Trelleborg's website.



## Annual General Meeting 2010

The Annual General Meeting took place on April 20, 2010 in Trelleborg. At the meeting, 623 shareholders (571) were in attendance, personally or by proxy, representing about 63 percent (73) of the total number of votes. One

shareholder, Dunker Funds and Foundations, represented approximately 87 percent (76) of the votes at the meeting on its own. Chairman of the Board, Anders Narvinger, was elected Chairman of the Meeting.

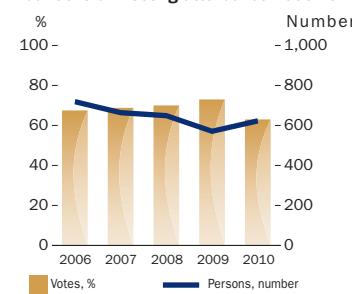
All Board members elected by the Annual General Meeting were present, except for Claes Lindqvist.

## Resolutions

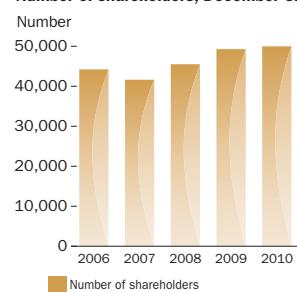
The minutes from the Annual General Meeting have been made available on Trelleborg's website. The resolutions passed by the Meeting included the following:

- Dividends to be paid for the 2009 fiscal year as per the Board's and President's proposal in the amount of SEK 0.50 per share.
- An increase in the number of Board members from seven to eight.
- The election of new Board members Nina Udnes Tronstad and Bo Risberg. Re-election of the other Board members, with the exception of Staffan Bohman, who declined re-election.
- Re-election of Anders Narvinger as Chairman of the Board.
- Fees to the Board members and remuneration to the auditor.
- The principles for the remuneration and other employment terms for the President and other senior executives.
- Procedures for the Nomination Committee's appointment and work.

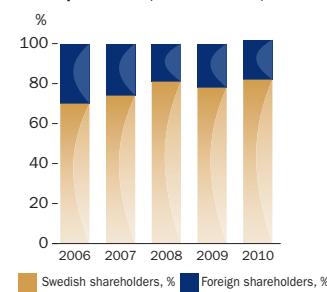
**Annual General Meeting attendance 2006-2010**



**Number of shareholders, December 31, 2010**



**Ownership structure, December 31, 2010**



## Further information on corporate governance

The following information is available at [www.trelleborg.com](http://www.trelleborg.com)

- Prior Corporate Governance Reports, from 2004 and onward.
- Information regarding Trelleborg's Annual General Meetings since 2004 and onward:
  - Notification of AGM
  - Minutes of AGM
  - President's presentations
  - Press releases

In-depth information on internal steering documents, such as the Articles of Association and the Code of Conduct.

- The Swedish Code of Corporate Governance is available at [www.kodkollegiet.se](http://www.kodkollegiet.se).
- The Swedish Companies Act (2005:551) is available at [www.riksdagen.se](http://www.riksdagen.se).
- The exchange rules for listed companies – regulations for issuers – are available at [www.nasdaqomx.com/listingcenter](http://www.nasdaqomx.com/listingcenter).



## Nomination Committee for the 2011 Annual General Meeting

The 2010 Annual General Meeting passed a resolution regarding the Nomination Committee and assigned the Chairman of the Board the task of asking representatives of the company's five major shareholders at the close of the third quarter to each appoint one member to the Nomination Committee. The composition of the Nomination Committee was published on Trelleborg's website and through a press release on October 20, 2010. At the end of the third quarter, the Nomination Committee represented approximately 66 percent (67) of the shareholders' votes.

The guidelines of the principal owners for the selection of candidates to be nominated to the Board are that they shall possess knowledge and experience relevant to Trelleborg. The Nomination Committee observes the rules regarding the independence of Board members, as stated in the Swedish Code of Corporate Governance.

The Nomination Committee for 2011 held 3 meetings (6) and a number of telephone conferences. The members of the Nomination Committee and the shareholders who appointed them are presented in the table below. In addition, the Chairman of the Board, Anders Narvinger, was a member of the Nomination Committee for 2011.

As a basis for the Committee's work, information on the company's operations and strategic focus was presented by the President. The Chairman of the Board presented the annual evaluation of the Board members' activities, and provided information on the Board's work during the year, including the work in the various committees.

## Nomination Committee for the Annual General Meeting

Name/ Representing	Share of votes September 30, 2010	Share of votes December 31, 2010
Rolf Kjellman (chair) Henry and Gerda Dunker Foundation	55.2%	55.1%
Henrik Didner Didner & Gerge Funds	4.2%	3.9%
Ramsay Brufers Alecta	2.7%	2.3%
Johan Held AFA Insurance Companies	2.2%	2.0%
Thomas Eriksson Swedbank Robur Funds	1.9%	2.2%
<b>Total</b>	<b>66.2%</b>	<b>65.5%</b>

## Proposals to the Annual General Meeting 2011

The Nomination Committee has formulated the proposals below for submission to the 2011 Annual General Meeting for resolution:

- The Nomination Committee resolved to propose that the Annual General Meeting re-elect all Board members: Hans Börck, Claes Lindqvist, Sören Mellstig, Peter Nilsson, Bo Risberg, Nina Urdnes Tronstad, Hélène Vibbleus Bergquist and Anders Narvinger as Chairman.

## The Board of Directors

In 2010, Trelleborg's Board of Directors comprised eight members elected by the Annual General Meeting, including the President and CEO. Employees elect three representatives and one deputy to the Board of Directors.

The Group's CFO, Bo Jacobsson, attends the Board meetings as does the General Counsel, Ulf Grädén, who serves as the Board's secretary. Other salaried employees of the Group participate in the Board meetings to make presentations on specific matters when necessary.

## Independence of the Board

The Board's assessment, which is shared by the Nomination Committee, regarding the members' position of dependence in relation to the company and the shareholders is presented in the table on page 44-45. As evident from the table, Trelleborg complies with the Swedish Code of Corporate Governance's requirements that the majority of the Board members elected by the General Meeting must be independent in relation to the com-

## Work of the Board of Directors

The number of Board meetings in 2010 was 12 (19), of which 4 (10) were Extraordinary Meetings. The work focused largely on structural issues and the strategic plan.

<b>February</b>	<b>No. 1:</b> Legal disputes and insurance coverage, Year-end Report, 2009 Annual Report, Audit report, Structural issues, Financing, Committee reports.
	<b>No. 2:</b> Financing.
<b>April</b>	<b>No. 3:</b> Structural issues.
	<b>No. 4:</b> Interim report for first quarter, Structural issues, Financing, Prior to the AGM, Committee reports.
	<b>No. 5:</b> Statutory Board meeting.
<b>June</b>	<b>No. 6:</b> Structural issues.
<b>July</b>	<b>No. 7:</b> Interim report for second quarter, Audit report, Strategic plan 2011-2013, Committee reports.
<b>September</b>	<b>No. 8:</b> Strategic plan 2011-2013, Structural issues. Committee reports.
	<b>No. 9:</b> Strategic plan 2011-2013, Structural issues, Financing, Audit report, Committee reports.
<b>October</b>	<b>No. 10:</b> Interim report for third quarter, Structural issues, Committee reports.
<b>November</b>	<b>No. 11:</b> Structural issues.
<b>December</b>	<b>No. 12:</b> Forecast for 2011, Strategic plan 2011-2013, Structural issues, Audit report, Committee reports.

The Board conducts reviews with the auditor when plans for the audit procedure are presented and when audit reports are to be considered. All business areas are usually given the opportunity to give an in-depth presentation of their operations at a Board meeting at least once a year.

pany and the company management, and that at least two of these shall also be independent in relation to the company's major shareholders.

#### **Evaluation of Board members 2010**

The Chairman of the Board is responsible for evaluating the Board's work, including the work of individual members. This occurs annually in accordance with an established process. Periodically, evaluation is conducted with the assistance of external consultants.

In 2010, the evaluation was conducted, in part, as a self-evaluation whereby the Chairman of the Board interviewed all Board members individually and, in part, through interviews and discussions involving the Nomination Committee and a number of individual Board members, as well as feedback and discussions with the entire Board of Directors.

The evaluation focuses on such aspects as supply and demand for specific expertise and work methods. The evaluation is also used by the Nomination Committee as the basis for proposals for Board members and remuneration levels.

#### **Audit Committee**

In 2010, the Audit Committee comprised the Board members Hélène Vibbleus Bergquist, who is also chairs the Committee, Claes Lindqvist, Sören Mellstig and Anders Narvinger. The Group's CFO, Bo Jacobsson, the Group's General Counsel and Secretary of the Audit Committee, Ulf Gradén, and the Head of the Internal Control staff function participate in the Audit Committee meetings, as does the company's auditor when necessary.

In 2010, the Audit Committee held 5 (8) meetings. Its work mainly focused on:

- accounting issues
- review of interim reports, the year-end report and the annual report
- establishment and follow-up of annual work plans for the Internal Control staff function
- review of continuous reporting from the Internal Control staff function relating to internal audits and the proactive work on the internal control environment
- follow-up of activities relating to the Group's corporate responsibility issues and risk management
- review of reports from the company's AGM-elected auditors, including the auditors' audit plan
- review of the plan for compilation of the Annual Report

#### **Finance Committee**

In 2010, the Finance Committee comprised the Board members Hélène Vibbleus Bergquist, who also chairs the Committee, Claes Lindqvist, Sören Mellstig and Anders Narvinger. The Group's CFO, Bo Jacobsson, and the Group's General Counsel and Secretary of the Finance Committee, Ulf Gradén, participate in the meetings of the Finance Committee. Head of Group Treasury also participates when necessary.

In 2010, the Finance Committee held 5 (6) meetings. Its work mainly focused on:

- reviewing financial reports from Group Treasury
- financing issues
- financial operations and policies
- financial risk management

#### **Remuneration Committee**

In 2010, the Remuneration Committee comprised the Board members Anders Narvinger, who also chairs the Committee, Claes Lindqvist and Hans Biörck.

Senior Vice President, Human Resources, Sören Andersson, also Secretary of the Remuneration Committee, participates in Committee meetings.

In 2010, the Remuneration Committee held 6 (8) meetings. Its work mainly focused on:

- terms of employment and incentive issues for senior executives
- the Group's management resource planning.

#### **Auditors**

Trelleborg's auditor is the PricewaterhouseCoopers AB firm of authorized public accountants, including authorized public accountants Göran Tidström and Eric Salander. Göran Tidström is the Auditor in Charge. PricewaterhouseCoopers AB was elected by the 2008 Annual General Meeting for a period of four years.



**GÖRAN TIDSTRÖM**

**Authorized Public Accountant, auditor in charge**

Auditor of the Trelleborg Group since 2004. Partner of PricewaterhouseCoopers AB since 1976. Qualifications: Graduate in business administration, Authorized Public Accountant since 1973. Assignments: Auditor of AB Volvo, Meda and the Royal Opera. President of the International Federation of Accountants (IFAC). Born: 1946.



**ERIC SALANDER**

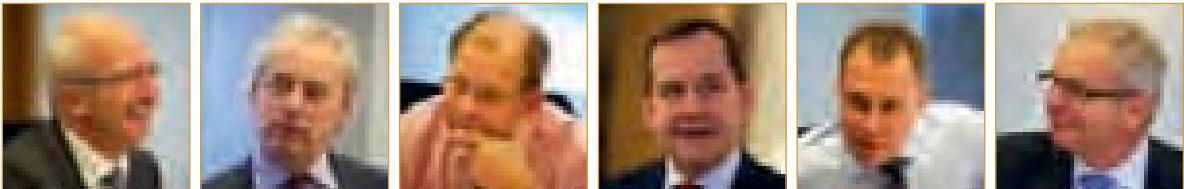
**Authorized Public Accountant**

Auditor of the Trelleborg Group since 2010. Partner of PricewaterhouseCoopers AB since 2005. Qualifications: Graduate in business administration, Authorized Public Accountant since 2000. Assignments: Sony Ericsson, Hilding Anders, Gambio and Bong. Born: 1967.

#### **Auditors' remuneration 2010**

SEK M	2010	2009
PricewaterhouseCoopers		
Audit assignment	34	38
Audit activities other than audit assignment	4	4
Tax consultancy services	3	3
Other services	17	7
Other auditors		
Audit assignment	1	1
Audit activities other than audit assignment	-	-
Tax consultancy services	-	-
Other services	0	1
<b>Total</b>	<b>59</b>	<b>54</b>
Of which discontinued operations	1	1

# The Board of Directors



Name	<b>Anders Narvinger</b>	<b>Hans Björck</b>	<b>Claes Lindqvist</b>	<b>Sören Mellstig</b>	<b>Peter Nilsson</b>	<b>Bo Risberg</b>
<b>Position</b>		Executive Vice President and CFO, Skanska AB.	President of Henry Dunkers Förfältnings AB.		President and CEO.	President and CEO of Hilti Corporation, Liechtenstein.
<b>Qualifications</b>	M.Sc. Eng., Faculty of Engineering, Lund University, and B.Sc. Business and Economics, Uppsala University.	Graduate in business administration.	Graduate in business administration and M.Sc. Eng.	Graduate in business administration.	M. Sc. Eng.	MBA and B.Sc. Eng.
<b>Year elected</b>	1999. Chairman of the Board since 2002.	2009.	2004.	2008.	2006.	2010.
<b>Born</b>	1948.	1951.	1950.	1951.	1966.	1956.
<b>Nationality</b>	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.
<b>Other assignments</b>	Chairman of Alfa Laval AB (publ), Coor Service Management AB and TeliaSonera (publ). Board member of JM AB (publ) and Pernod Ricard SA.	Board member of the Dunker Funds and Foundations and the Swedish Financial Reporting Board.	Executive Director of Henry and Gerda Dunkers' Foundation and Foundation No. 2. Board member of Dunker Foundations, Svenska Handelsbanken South Region, Novotek AB (publ).	Chairman of the Board of Ferrosan AS and Textilia AB. Board member of Dako A/S. Chairman of the Swedish Defence Research Agency (FOI).	Board member of Beijer Alma AB (publ), Trioplast Industrier AB and The Chamber of Commerce and Industry of Southern Sweden.	
<b>Dependence</b>	No.	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, Dunker Funds and Foundations.	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, Dunker Funds and Foundations.	No.	Yes. Dependent in relation to the company as a result of his position as Trelleborg's President.	No.
<b>Previous experience</b>	A number of senior management positions in the ABB Group, including President and CEO of ABB Sweden and President of The Association of Swedish Engineering Industries.	CFO of Autoliv Inc. And CFO of Esselte AB.	A variety of senior positions at ASEA and Åkerlund & Rausing as well as President and CEO of Höganäs AB and Öresundskraft AB.	President and CEO of Gambro and CFO and Vice President of Incentive.	Business Area President, Trelleborg Engineered Systems and other posts within the Trelleborg Group, as well as management consultant at BSI.	Various management positions at AT Kearney and with ABB in Sweden and Canada.
<b>Own and related-party holdings 2010</b>	30,404 shares.	–	30,404 shares.	60,809 shares.	80,572 shares and 100,000 call options.	5,000 shares.
<b>Own and related-party holdings 2009</b>	30,404 shares.	–	30,404 shares.	60,809 shares.	80,572 shares and 100,000 call options.	–
<b>Audit Committee attendance</b>	Member 5 of 5.	–	Member 4 of 5. <sup>3)</sup>	Member <sup>4)</sup> 3 of 3.	–	–
<b>Finance Committee attendance</b>	Member 5 of 5.	–	Member 4 of 5. <sup>3)</sup>	Member <sup>4)</sup> 3 of 3.	–	–
<b>Remuneration Committee attendance</b>	Chairman 6 of 6	Member* 3 of 3.	Member 6 of 6.	–	–	–
<b>Board meeting attendance</b>	Chairman 12 of 12.	Member 12 of 12.	Member 10 of 12 <sup>2)</sup>	Member 12 of 12.	Member 12 of 12.	Member <sup>4)</sup> 9 of 9.
<b>Remuneration 2010*</b>						
Board	950	360	360	360	–	360
Committee	150	50	150	100	–	–
<b>Total 2010</b>	<b>1,100</b>	<b>410</b>	<b>510</b>	<b>460</b>	–	<b>360</b>
<b>Remuneration 2009*</b>						
Board	950	360	360	360	–	–
Committee	150	–	150	–	–	–
<b>Total 2009</b>	<b>1,100</b>	<b>360</b>	<b>510</b>	<b>360</b>	–	<b>–</b>

1) Elected by the 2010 AGM.

2) Not present at meetings 4 and 5 on April 20, 2010.

3) Not present on April 20, 2010.

\* Remuneration paid to the Board of Directors for the period May 2010 – April 2011, SEK 000s. The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For 2010, remuneration was paid as per the table above. Remuneration is not paid to members of the Finance Committee. No consulting fees were paid to Board members. Remuneration is not paid to Board members who are also employed by the Group. Remuneration excludes travel allowances.

► For additional information concerning remuneration, see Note 3, pages 85-86



Namn	<b>Nina Urdnes Tronstad</b>	<b>Hélène Vibbleus Bergquist</b>	<b>Alf Fredlund</b>	<b>Karin Linsjö</b>	<b>Mikael Nilsson</b>	<b>Birgitta Håkansson</b>
<b>Position</b>	President of Aker Verdal AS, Norway, a subsidiary of Aker Solutions ASA.	Management Consultant.	Engineer, appointed by the Unions of the Trelleborg Group (PTK).	Appointed by the Unions of the Trelleborg Group (LO).	Industrial worker, appointed by the Unions of the Trelleborg Group (LO).	Salaried employee, appointed by the Unions of the Trelleborg Group (PTK).
<b>Qualifications</b>	M.Sc. Eng.	Graduate in business administration.	Engineer.	Elementary school and plant training.	Training in labor law, economics and personnel policy.	Secretarial studies, training in IT and accounting.
<b>Year elected</b>	2010.	2004.	2001.	2000.	2009.	2008.
<b>Born</b>	1959.	1958.	1946.	1954.	1967.	1950.
<b>Nationality</b>	Norwegian.	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.
<b>Other assignments</b>		Chairman of the Board of INVISIO Communications AB (publ). Board member of Nordic Growth Market NGM AB, Renewable Energy Corporation ASA, TradeDoubler AB (publ), Tyréns AB and SIDA.	Chairman of Unionen Trelleborg AB.		Chairman of Trelleborg Swedish Works Council (LO) and Chairman of Trelleborg European Works Council. Board member of Avdelning 52 Hus AB.	Vice Chairman of Unionen Trelleborg AB.
<b>Dependence</b>	No.	No.	-	-	-	-
<b>Previous experience</b>	Various management positions at Statoil in Norway, Sweden and Denmark.	Senior Vice President, Group Controller, AB Electrolux, Authorized Public Accountant, partner and member of the Board of PricewaterhouseCoopers in Sweden.				
<b>Own and related-party holdings 2010</b>	-	4,550 shares.	24,000 shares.	501 shares.	-	1,602 shares.
<b>Own and related-party holdings 2009</b>	-	4,550 shares.	24,000 shares.	501 shares.	-	1,602 shares.
<b>Audit Committee attendance</b>	-	Chairman 5 of 5	-	-	-	-
<b>Finance Committee attendance</b>	-	Chairman 5 of 5	-	-	-	-
<b>Remuneration Committee attendance</b>	-	-	-	-	-	-
<b>Board meeting attendance</b>	Member <sup>4)</sup> 8 of 9 <sup>5)</sup> .	Member 12 of 12.	Employee representative (PTK). 12 of 12	Employee representative (LO). 12 of 12	Employee representative (LO). 12 of 12	Deputy employee representative (PTK). 12 of 12
<b>Remuneration 2010*</b>						
Board	360	360	-	-	-	-
Committee	-	150	-	-	-	-
<b>Total 2010</b>	<b>360</b>	<b>510</b>	-	-	-	-
<b>Remuneration 2009*</b>						
Board	-	360	-	-	-	-
Committee	-	150	-	-	-	-
<b>Total 2009</b>	<b>-</b>	<b>510</b>	-	-	-	-

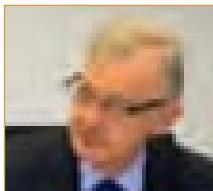
4) Elected by the 2010 AGM.

5) Not present at meeting 5 on April 20, 2010.

\* Remuneration paid to the Board of Directors for the period May 2010 – April 2011, sek 000s. The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For 2010, remuneration was paid as per the table above. Remuneration is not paid to members of the Finance Committee. No consulting fees were paid to Board members. Remuneration is not paid to Board members who are also employed by the Group. Remuneration excludes travel allowances.

► For additional information concerning remuneration, see Note 3, pages 85-86

# Group Management



Name	<b>Peter Nilsson</b>	<b>Bo Jacobsson</b>	<b>Lennart Johansson</b>	<b>Jim Law</b>	<b>Claus Barsøe</b>
<b>Position</b>	President and CEO Other assignments: Board member of Trelleborg AB (publ), Beijer Alma AB (publ), Trioplast Industrier AB and The Chamber of Commerce and Industry of Southern Sweden.	Chief Financial Officer (CFO) and Executive Vice President, Trelleborg AB.	Business Area President, Trelleborg Engineered Systems.	Business Area President, Trelleborg Automotive.	Business Area President, Trelleborg Sealing Solutions.
<b>Qualifications</b>	M.Sc. Eng.	University studies in business administration.	M.Sc. Eng.	Bachelor of Science Electrical Engineering, BS General Engineering, Minor in Business.	Graduate in business administration.
<b>Born</b>	1966.	1951.	1960.	1955.	1949.
<b>Nationality</b>	Swedish.	Swedish.	Swedish.	American.	Danish.
<b>Previous experience includes</b>	Business Area President, Trelleborg Engineered Systems and other posts at the Trelleborg Group, as well as management consultant at BSI.	CEO of the Scancem Group and CFO of Telia AB.	President of Kemira Kemi, business unit manager of Kemira OY and Perstorp AB.	Business Unit President, Global Anti Vibration Solutions at Trelleborg Automotive. VP Sales & Engineering, Yale, South Haven.	Market Director of Alfa Laval, various positions at Busak+Shamban and Polymer Sealing Solutions.
<b>Own and related-party holdings 2010</b>	80,572 shares and 100,000 call options*.	30,384 shares and 25,000 call options*.	25,000 call options*.	-	25,000 call options*.
<b>Own and related-party holdings 2009</b>	80,572 shares and 100,000 call options*.	30,384 shares and 25,000 call options*.	25,000 call options*.	-	25,000 call options*.
<b>Employed</b>	1995.	1975-1997, 2002.	2005.	1997.	2003.
<b>In current position since</b>	2005.	CFO: 2002, Executive Vice President: 2005.	2005.	2011.**	2003.

\* The principal owner Henry and Gerda Dunkers Donation Fund No. 2 issued a call option program in February 2008. At that time, nine senior executives purchased 255,000 call options in Trelleborg at a price of SEK 10.98 per call option. Each call option entitles the holder to purchase one share of Series B in Trelleborg AB during the period March 15, 2008 - March 15, 2012 at an exercise price at SEK 125.50. As a result of the implemented rights issue in 2009 and in accordance with terms and conditions of the options, the exercise price was recalculated to SEK 57.70 per share and each call option will entitle the holder to purchase 2.18 shares. The principal owner's objective of the call option program is to promote the long-term commitment of management executives in the company. Trelleborg AB did not participate in the offer and will not have any expenses in connection with the offer.

\*\* As of January 1<sup>st</sup>, 2011. Jim Law succeeded Roger Johansson, who was President of the Trelleborg Automotive Business Area up to and including December 31, 2010

## Remuneration of Group Management 2010

SEK 000s	Fixed salary	① Annual variable salary	② Incentive program <sup>1)</sup>	③ Other benefits	④ Total	Pension	Total including pension
President <b>2010</b>	<b>7,559<sup>2)</sup></b>	<b>4,550</b>	<b>2,275</b>	<b>163</b>	<b>14,547</b>	<b>2,847</b>	<b>17,394</b>
	2009	6,506	3,900	975	11,534	2,382	13,916
Executive Vice President <b>2010</b>	<b>3,220</b>	<b>1,250</b>	<b>625</b>	<b>112</b>	<b>5,207</b>	<b>2,375</b>	<b>7,582</b>
	2009	3,150	1,250	313	4,840	2,085	6,925
Group Management, others (9 persons) <sup>3)</sup> <b>2010</b>	<b>27,222</b>	<b>12,731</b>	<b>5,289</b>	<b>845</b>	<b>46,087</b>	<b>7,998</b>	<b>54,085</b>
	2009	29,296	10,199	3,220	43,629	7,811	51,440
<b>Total 2010</b>	<b>38,001</b>	<b>18,531</b>	<b>8,189</b>	<b>1,120</b>	<b>65,841</b>	<b>13,220</b>	<b>79,061</b>
Total 2009	38,952	15,349	4,508	1,194	60,003	12,278	72,281

<sup>1)</sup> Expensed 2010. <sup>2)</sup> Of this amount, fixed salary represented SEK 7,000,000, with the remainder mainly consisting of a change in vacation pay liability.

<sup>3)</sup> Changes in Group Management took place in 2010 and, at the end of the year, Group Management comprised eight individuals in addition to the President and the Executive Vice President.

### Principles for remuneration

The following are the principles for remuneration of senior executives adopted by the Annual General Meeting:

- Trelleborg shall offer market-based terms of employment that enable the company to recruit, develop and retain senior executives.
- The remuneration structure shall comprise fixed 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.

- Principles for remuneration may vary depending on local conditions.
- The remuneration structure shall be based on such factors as position, expertise, experience and performance.

Senior executives comprise the President and other members of Group Management. The principles are supplemented by a policy for benefits for senior

executives as well as a global remuneration policy that covers all managers and senior salaried employees.

In 2010, total remuneration of Group Management amounted to SEK 65,841,000 (60,003,000) excluding pension premiums and SEK 79,061,000 (72,281,000) including pension premiums.





Name	Maurizio Vischi	Sören Andersson	Viktoria Bergman	Ulf Gradén	Claes Jörwall
<b>Position</b>	Business Area President, Trelleborg Wheel Systems.	Senior Vice President, Human Resources.	Senior Vice President, Corporate Communications.	Senior Vice President, General Counsel and Secretary.	Senior Vice President, Taxes and Group Structures.
<b>Qualifications</b>	MBA.	University studies in economics, sociology and education.	Berghs School of Communication	Master of Law. Reporting Clerk, Court of Appeal.	Graduate in business administration.
<b>Born</b>	1955.	1956.	1965.	1954.	1953.
<b>Nationality</b>	Italian.	Swedish.	Swedish.	Swedish.	Swedish.
<b>Previous experience includes</b>	Various management positions at Pirelli.	Various HR posts at SCA.	Falcon Bryggerier and Vice President, Corporate Communications at Trelleborg.	Corporate Legal Counsel at Mölnlycke and General Counsel at PLM/Rexam.	Department manager at the Swedish National Tax Board.
<b>Own and related-party holdings 2010</b>	25,000 call options*.	6,080 shares and 10,000 call options*.	1,518 shares and 10,000 call options*.	10,000 call options*.	16,031 shares.
<b>Own and related-party holdings 2009</b>	25,000 call options*.	6,080 shares and 10,000 call options*.	1,518 shares and 10,000 call options*.	10,000 call options*.	16,031 shares.
<b>Employed</b>	1999.	1998.	2002.	2001.	1988.
<b>In current position since</b>	2001.	1998.	2005.	2001.	1988.

\* The principal owner Henry and Gerda Dunkers Donation Fund No. 2 issued a call option program in February 2008. At that time, nine senior executives purchased 255,000 call options in Trelleborg at a price of SEK 10.98 per call option. Each call option entitles the holder to purchase one share of Series B in Trelleborg AB during the period March 15, 2008 – March 15, 2012 at an exercise price at SEK 125.50. As a result of the implemented rights issue in 2009 and in accordance with terms and conditions of the options, the exercise price was recalculated to SEK 57.70 per share and each call option will entitle the holder to purchase 2.18 shares. The principal owner's objective of the call option program is to promote the long-term commitment of management executives in the company. Trelleborg AB did not participate in the offer and will not have any expenses in connection with the offer.

## ① Annual variable salary

The annual variable salary is based on the achievement of mainly quantitative targets set up in advance. The 2010 targets pertained to the Group's profit before tax and the Group's operating cash flow, both excluding the effect of structural changes approved by the Board of Directors. Annual variable salary does not constitute pensionable income and does not form the basis of vacation pay. In 2010, the President's variable salary was a maximum of 65 percent of fixed salary. For other senior executives, variable salary was a maximum of 25-65 percent of fixed salary in 2010.

## ② Long-term incentive program

Since 2005, the Board of Directors has annually resolved to introduce a long-term incentive program for the President and for certain senior executives exercising a significant influence on the Trelleborg Group's earnings per share. These programs are ongoing three-year programs for which the Board will, on a yearly basis, approve any new programs and will define their scope, objective and number of participants. The incentive programs are cash-based and constitute a supplement to the annual variable salaries, provided that the executive is employed by the Trelleborg Group as per December 31 in the year in which the program ends.

### Purpose

The incentive programs are directional and have long-term content that aims to continue to promote commitment of senior executives to the Group's development, thereby increasing value for the Group's shareholders.

### Target figures

The target value for the incentive programs is the

Trelleborg Group's earnings per share, with an annual improvement of 10 percent, excluding items affecting comparability and the impact of any share buyback programs, and includes the costs for the programs.

For the current programs, the Board has established a target of SEK 6.56 in earnings per share for 2008, a target of SEK 2.56 for 2009 and a target of SEK 2.85 for 2010, with the upper cap for payments set at 25 percent of the maximum annual variable salary per program per year. For the 2008 program, the target for earnings per share was recalculated due to the rights issue implemented in 2009.

### Outcome and payment

The result is calculated annually and accumulated over the three-year period and potential payments are made in the first quarter of the year after the program expires. For the program approved for 2008, payment will be made in the first quarter of 2011, for the program approved for 2009, payment will be made in the first quarter of 2012, and for the program approved for 2010, payment will be made in the first quarter of 2013. The payments do not constitute pensionable income and do not form the basis of calculation of vacation pay. In 2010, earnings were charged with SEK 20,541,000 (12,289,000) and additional payroll expenses of SEK 4,373,000 (2,597,000).

### Other incentive programs

The Group has no ongoing convertible debenture or warrant programs at the present time.

### ③ Other benefits

The President and other senior executives have the possibility of having a company car and medical expenses insurance.

## ④ Pension

The pension agreement is a defined-contribution scheme. For the President and other senior executives, the premium is computed as between 20 and 45 percent of the fixed salary. Some of the senior executives have agreements specifying mutual rights to request early retirement from the age of 60. In this case, compensation amounting to 60 percent of fixed annual salary is paid until the age of 65, when the regular retirement pension payments become effective. For the President, the premium is computed as 40 percent of the fixed salary. Pensionable age is 65, however, both the company and the President have the right, without special motivation, to request early retirement from the age of 60, with a mutual six-month notice of termination. If the President enters early retirement, the employment agreement and pension agreement are rendered invalid as of that time.

### Severance pay

For the President, termination of employment by the company shall be subject to a period of notice of 24 months. The period of notice from the President is six months. During the period of notice, fixed salary is payable. Certain senior executives have extended notice of termination periods when initiated by the company, normally 12, 18 or 24 months, whereas the notice period is six months when initiated by the individual.

► For additional information concerning remuneration, see Note 3, pages 85-86.

# Overview of governance in the Trelleborg Group

## ► Shareholders

The right of shareholders to make decisions on the affairs of Trelleborg is exercised at the Annual General Meeting, which is usually held in April or, where appropriate, at an Extraordinary General Meeting, which is Trelleborg's highest decision-making body. The Meeting adopts the Articles of Association and at the Meeting, the shareholders appoint Board members and the Chairman of the Board as well as the auditors, and makes decisions regarding their fees. In addition, the Annual General Meeting passes resolutions regarding the adoption of the income statement and the balance sheet, the allocation of the company's profit and the discharge from liability of the Board members and the President. The Annual General Meeting also makes resolutions regarding the appointment of the Nomination Committee and its work, and the principles for the remuneration and employment terms for the President and other senior executives.

## ► Auditor

Trelleborg's auditor, elected by the Annual General Meeting, audits the company's Annual Report and accounts, as well as the Board's and the President's management. Trelleborg's auditor is elected for four years. The auditor bases his work on an audit plan and obtains the Audit Committee's opinions on Trelleborg's risks with regard to financial reporting before the audit plan is established. The auditor continuously reports observations to the Audit Committee throughout the year and to the Board, both after the hard-close audit during the autumn and in connection with the approval of the six-month interim report and the Annual Report by the Board. The auditor's assignment is presented in a written auditor's report at the Annual General Meeting.

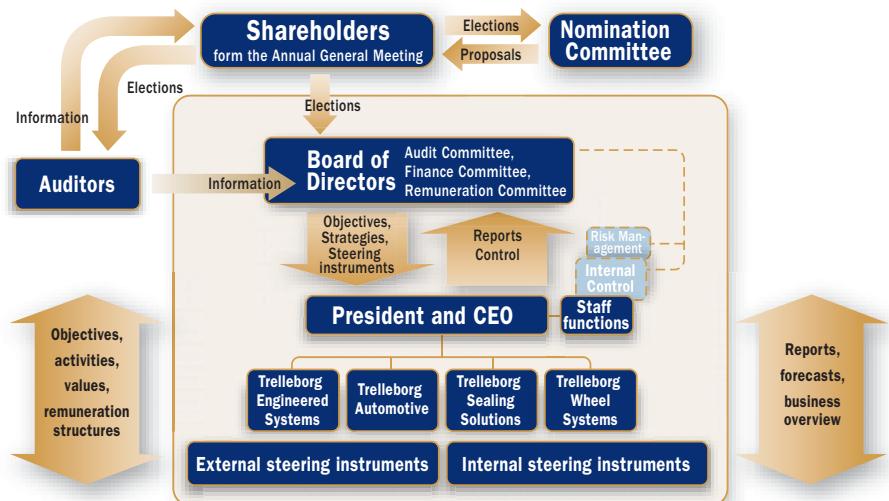
## ► Nomination Committee

Procedures for the Nomination Committee's appointment and work are adopted by the Annual General Meeting. The Nomination Committee prepares and submits proposals to the Meeting on the election of Board members, the Chairman of the Board and, where appropriate, the auditor as well as their fees. The Nomination Committee shall consist of five members. They shall be representatives of the five largest shareholders at the close of the third quarter, who are to be contacted by the Chairman of the Board at that time. These shareholders then have the right to appoint one member each. The Nomination Committee may also decide that the Chairman of the Board be a part of the Committee, but not be appointed to serve as its chairman.

## ► Board of Directors

### **Composition of the Board**

In accordance with the Articles of Association, the Board of Directors shall consist of three to ten members, elected annually by the Annual General Meeting for the period until the next Annual General Meeting. Although the Articles of Association allow for the election of deputies, there are currently no deputies elected by the Annual General Meeting. In accordance with legislation, employees elect three Board members and a deputy. Trelleborg's CFO participates in the Board meetings as does the General Counsel, who also serves as the Board's Secretary. The Board has established three committees, the Audit Committee, the Finance Committee and the Remuneration Committee.



### **Responsibilities of the Chairman**

The Chairman is responsible for the work of the Board being well organized and conducted efficiently, and that the Board fulfills its obligations. The Chairman monitors operations in dialogue with the President. He is responsible for ensuring that other Board members receive the information and documentation necessary to maintain a high level of quality in discussions and decisions, and checking that the Board's decisions are executed. The Chairman is responsible for ensuring that new Board members undergo requisite introductory training and that the Board continuously updates and deepens its knowledge about the company. The Chairman is also responsible for annually evaluating the Board's activities, and this evaluation is then shared with the Nomination Committee. The Chairman represents the company in all ownership issues.

### **Responsibilities and work of the Board**

The Board is responsible for managing operations in the interest of the company and all its shareholders in accordance with external and internal steering documents. The framework comprises a written formal work plan for the Board that is adopted by the Board each year. The Board monitors the President's work through ongoing reviews of the operation over the year. The Board's responsibility includes establishing internal steering instruments and ensuring that there are effective systems for follow-up and control of the company's operations and that there is satisfactory internal control. In addition, the responsibilities of the Board include setting strategies and targets, deciding on major acquisitions and divestments of operations or other major investments, deciding on financial investments and loans in accordance with the Treasury Policy and issuing financial reports. The Board annually evaluates the President and other senior executives and oversees the planning of managerial succession. Trelleborg's Board of Directors meets at least seven times per year.

### **The Board's responsibility for financial reporting**

The Board ensures the quality of financial reporting in part through instructions to the President, instructions regarding financial reporting to the Board and through the Communications Policy, and in part by considering reports from the Audit Committee. The Board also assures the quality of financial reporting by considering interim reports, year-end reports and

annual reports in detail at its respective meetings. The Board has delegated to corporate management the responsibility for ensuring the quality of financial press releases and presentation material in conjunction with meetings with the media, shareholders and financial institutions.

### **Board committees**

- The Audit Committee's objective, in accordance with the instructions for the Audit Committee established by the Board of Trelleborg, is to represent the Board by monitoring the company's financial reporting and, with regard to this reporting, overseeing the effectiveness of the company's internal control, internal audit and risk management. The Audit Committee's objective is also to keep itself informed in matters relating to the audit of the annual report and the consolidated financial statements, to review and monitor the auditors' impartiality and independence, and to provide assistance when preparing proposals regarding the appointment of auditors for approval by the Annual General Meeting. The Audit Committee shall also act on behalf of the Board to support and monitor the Group's activities related to corporate responsibility issues and the overall coordination of the Group's risk management. The results of the Audit Committee's work in the form of observations, recommendations, motions and measures are continuously reported to the Board, usually at the subsequent Board meeting.
- The Finance Committee's objective is to represent the Board in day-to-day issues relating to financing, to support and monitor financial operations, to annually assess and propose changes to the Treasury Policy, to evaluate and prepare matters for decision by the Board and, after each meeting, to report on its work at the subsequent Board meeting.
- The Remuneration Committee's objective is to represent the Board in matters concerning remuneration and terms of employment for the President and executives reporting directly to the President based on the principles adopted by the Annual General Meeting and the Remuneration Policy. The Committee continuously reports its work to the Board.

## ► Related information

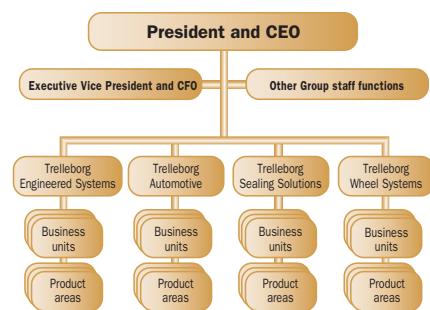
Risk Management	pages 34-39
Internal Control	pages 50-51
Corporate Responsibility	pages 52-65

## ► President and Group Management

The President and CEO manages Trelleborg's day-to-day operations in accordance with internal and external steering instruments. The framework for this work comprises written instructions to the President established by the Board every year. The President is assisted by Group Management comprising managers for business areas and corporate functions. In consultation with the Chairman of the Board, the President prepares necessary information and documentation on the basis of which the Board can make well-founded decisions. The President presents matters and motivates proposed decisions. The President answers to and regularly reports to the Board regarding the development of the company. Trelleborg's operations are organized into four business areas. These encompass 20 business units that cover about 40 product areas. Trelleborg has a decentralized structure, with a strong focus on responsibility and performance, which is combined with clearly defined Group-wide processes that aim to achieve synergies.

The President leads the work conducted by Group Management and renders decisions in consultation with other members of the management team. At year-end 2010, Group Management comprised ten individuals.

Group Management holds regular management meetings. In 2010, Group Management held 6 meetings. These focus on the Group's strategic and operational development and budget follow-up. In addition to these meetings, close cooperation takes place on a daily basis on various issues between the operational business and representatives of the various staff functions. The company aims to create an open, clear and honest working culture, with short decision-making paths.



## ► Internal Control

The Group's Internal Control staff function works as the Group's internal audit function and reports to the Audit Committee and the Group's CFO. Within the scope of the defined process called internal control, the function works on developing, improving and ensuring internal control regarding financial reporting in the Group, in part, by proactively focusing on the internal control environment and, in part, by examining how internal control works. The proactive work on the internal control environment focused particularly on developing and improving processes and establishing minimum requirements for good internal control with regard to financial reporting documented in internal steering instruments and developing and providing training and tools in the Group for internal control with regard to financial reporting. Efforts to examine the effectiveness of the internal control included risk assessments as a basis for prioritization, development and follow-up

of self-evaluations in the Group's companies and business areas, which are supplemented with internal audits. The internal control process is formulated to provide reasonable assurance that the goals of the Trelleborg Group are achieved in terms of appropriate and effective business activities, reliable reporting and compliance with applicable legislation and regulations. The process is based on a control environment throughout Trelleborg that creates discipline and structure for the other four components of the process, namely, risk assessment, control structures, information and communication, and monitoring. Internal Control of financial reporting aims to provide reasonable assurance with regard to the reliability of the external financial reporting and that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements on listed companies. Internal steering instruments for financial reporting primarily comprise the Group's Treasury Policy, Communication Policy and Finance Manual, which define the accounting and reporting rules, and the Group's definition of processes and minimum requirements for good internal control over financial reporting.

## ► Risk Management

Risk Management is a staff function. Within the scope of Trelleborg's Enterprise Risk Management process - ERM process - risks in Group companies, business areas and processes are identified, evaluated and managed. The ERM process is conducted centrally by the Risk Management staff function and is led by an ERM Board composed of representatives of the business areas and the Group staff functions. The ERM work provides a clear Group-wide view of what Trelleborg's risks are, how and where they are managed and by whom. Risk Management cooperates closely with Internal Control.

## ► External steering instruments

The external steering instruments that constitute the framework of corporate governance within Trelleborg include the Swedish Companies Act, the Annual Accounts Act, the listing agreement with the NASDAQ OMX Stockholm, the Swedish Code of Corporate Governance and other relevant legislation.

## ► Internal steering instruments

The internally binding steering instruments include the Articles of Association adopted by the Annual General Meeting and the Rules of procedure for the Board of Directors of Trelleborg approved by the Board, Instructions for the President of Trelleborg, Instructions for financial reporting to the Board of Trelleborg, Instructions for the Audit Committee established by the Board of Trelleborg, the Code of Conduct, the Communication Policy and the Treasury Policy. In addition to these steering instruments, there are a number of policies and manuals that contain binding rules, as well as recommendations that provide guidelines and guidance for the Group's operations and employees. These include Values, Finance Manual (accounting and reporting rules), Remuneration Policy and a definition of processes and the minimum requirements for good internal control, including internal control regarding financial reporting. Complete versions of many of the Group's steering instruments are available on Trelleborg's website.

### Rules of procedure of the Board of Directors

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 the Board's work on accounting, auditing matters and financial reporting. The work plan also governs how the Board is to receive information and documentation as the basis for its work and to be able to make well-founded decisions.

### Instructions for the President

Each year, the Board of Directors also establishes written instructions for the President that clarify the President's responsibility for operational management, the form and content of reporting to the Board, requirements of internal steering instruments and issues that always require a Board decision or reporting to the Board, such as the adoption of interim reports, annual reports and year-end reports, decisions regarding major acquisitions and business divestments, decisions regarding other large investments, decisions about investments and loans in accordance with the Treasury Policy, information on guarantees above a certain level, adoption of remuneration and employment terms for the President and executives reporting directly to him.

### Code of Conduct

The Trelleborg Group works to create added value for its stakeholders without compromising the Group's high ambitions with regard to the environment and social responsibility. The Code of Conduct establishes how Trelleborg should conduct its business, including principles within the areas of Workplace and Environment, Marketplace, Society and Community, and Corporate Governance. The Code of Conduct applies to all employees, including managers and Board members in the Trelleborg Group, in all markets, always and without exception. Trelleborg also encourages suppliers, sales representatives, consultants and other business partners to adopt the principles of both the Global Compact and Trelleborg's own Code of Conduct.

### Values

Trelleborg's values – customer focus, performance, innovation and responsibility – comprise a long-term commitment that, when combined with its business concept, objectives and strategies, guides the employees in their daily activities. *Customer focus* refers to the ambition to be the preferred supplier of solutions in selected markets. All decisions are made with the customer in focus, with the objective of creating added value for the customers and Trelleborg in close cooperation. *Performance* entails outperforming competitors and involves achieving results and the manner in which this is conducted. Culture and attitudes within Trelleborg shall promote *Innovation*. The daily ambition is to think differently, in a new and creative manner. Innovation is an important driver of growth. All employees also have a *Responsibility* for Trelleborg in its entirety – the company's profits and good reputation.

# Report by the Board of Directors on Internal Control

The responsibility of the Board of Directors for internal control is regulated by the Swedish Companies Act and by the Swedish Code of Corporate Governance. Internal control of financial reporting is included as a part of the overall internal control in Trelleborg, and is a central component of Trelleborg's corporate governance.

## Internal Control over financial reporting

The following description was prepared in accordance with the Swedish Code of Corporate Governance and represents the Board of Directors' report on internal control of financial reporting. The report has been examined by the company's auditor.

Internal Control of financial reporting aims to provide reasonable assurance with regard to the reliability of the external financial reporting in the form of interim reports, annual reports and year-end reports, and to ensure that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements on listed companies.

## Risk assessment

Trelleborg's risk assessment of financial reporting aims to identify and evaluate the most significant risks that affect internal control over financial reporting in the Group's companies, business areas and processes. The risk assessment results in control targets

that ensure that the fundamental demands placed on external financial reporting are fulfilled and comprise the basis for how risks are to be managed through various control structures. The risk assessment is updated on an annual basis under the direction of the Internal Control staff function and the results are reported to the Audit Committee.

## The control environment

The Board of Directors bears the overall responsibility for internal control of the financial reporting. The Board has established a written formal work plan that clarifies the Board's responsibilities and regulates the Board's and its committees' internal distribution of work.

The Board has appointed an Audit Committee to represent the Board in matters concerning the monitoring of the company's financial reporting and, in relation to the financial reporting, to monitor the efficiency of the company's internal control, internal audit and risk management. The Audit Committee shall also

## Related information

Risk Management	pages 34-39
Overview of governance in the Trelleborg Group	pages 48-49

represent the Board by keeping itself informed in matters relating to the audit of the annual report and the consolidated financial statements, reviewing and monitoring the auditors' impartiality and independence and providing assistance when preparing proposals regarding the appointment of auditors for approval by the Annual General Meeting. The Board has also established instructions for the President and instructions for financial reporting to the Board of Trelleborg. The responsibility for maintaining an effective control environment and the ongoing work on internal control as regards the financial reporting is delegated to the President.

The Group's Internal Control staff function works as the Group's internal audit function and reports to the Audit Committee and the Group's CFO. The function focuses on developing and enhancing internal control over the financial reporting in the Group by proactively concentrating on the internal control environment and by examining the effectiveness of the internal control.

## Internal Control at Trelleborg

Trelleborg has defined internal control as a process that is influenced by the Board of Directors, the Audit Committee, the President, Group Management and other employees, and is formulated to provide reasonable assurance that Trelleborg's goals are achieved in terms of the following:

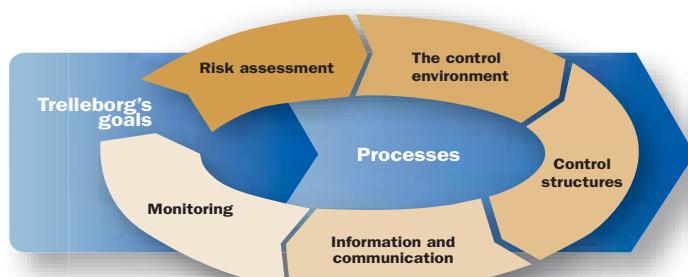
- appropriate and effective business activities
- reliable reporting
- and compliance with applicable legislation and regulations.

The internal control process is based on a control environment that creates discipline and structure for the other four components of the process, namely, risk assessment, control structures, information and communication, and monitoring. The starting point for the process is the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), [www.coso.org](http://www.coso.org).

**Risk assessment** is conducted within the framework of Trelleborg's Enterprise Risk Management process. This is described in greater detail on pages 34-35.

**The control environment** includes the values and ethics upon which the Board, the Audit Committee, the President and Group Management base their communication and actions, as well as the Group's organizational structure, leadership, decision channels, authorizations, responsibilities and the expertise of the employees. An overview of the Group's organization and governance, including external and internal steering instruments, which are important elements of Trelleborg's control environment, is outlined on pages 48-49. Trelleborg's values constitute a long-term commitment, which, combined with business concepts, targets and strategies, guides the employees in their daily work. Trelleborg's Code of Conduct comprises principles for how business should be conducted. Trelleborg is characterized by a decentralized organization that is managed based on target-oriented leadership with clear targets and rewards based on performance.

**Control structures** relate to the controls have been chosen to manage Group risks. Examples of control strategies that are applied in the Group



can be found on pages 34-39 in the Risk Management section and on the adjoining page with regard to significant operative processes.

**Information and Communication** External information and communication include, for example, reporting to authorities and external financial reporting. Internal information and communication are about creating awareness among Group employees about external and internal steering instruments, including authority and responsibilities. Important tools for this include Trelleborg's intranet and training programs. A process exists whereby Group employees confirm that they comply with Group policies. Trelleborg's whistleblower policy implies that each employee is entitled, without repercussions, to report suspicions of legal or regulatory violations. Internal information and communication also concern the information generated by Trelleborg's process for internal control being fed back to the Board, Audit Committee, President and Group Management as a basis for being able to make well-founded decisions.

**Monitoring** aims to secure the effectiveness of the process through a number of different activities, such as monitoring of operations in terms of established goals, self-evaluations, internal audit and other monitoring activities.

Internal steering instruments for financial reporting primarily comprise the Group's Treasury Policy, Communication Policy and Finance Manual, which define the accounting and reporting rules, and the Group's definition of processes and minimum requirements for good internal control over financial reporting.

## **Control structures**

The most significant risks identified as regards financial reporting are managed through control structures in companies, business areas and processes. Management may entail that these risks are accepted, reduced or eliminated. The purpose of the control structures is to ensure efficiency in the Group's processes and good internal control and is based on the Group's minimum requirements for good internal control in defined, significant processes, which is demonstrated in the diagram below. Minimum requirements comprise more general and detailed controls and can be both preventive and detective in nature. These have been subdivided into A and B levels, according to which the A level shall be applied by all of the companies in the Group and the B level by only the Group's largest companies.

The control structure in the accounting and reporting process, which is significant to the financial reporting's reliability, includes requirements for 45 controls.

## **Information and Communication**

Information and communication regarding internal steering instruments for financial reporting are available to all employees concerned on Trelleborg's intranet. Information and communication relating to financial reporting is also provided through training.

In the Group, there is a process by which all relevant employees confirm compliance with Trelleborg's policies on an annual basis. The Group's CFO and the Head of the Internal

Control staff function report the results of their work on internal control on internal control as a standing item on the agenda of the Audit Committee's meetings. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are continuously reported to the Board. External financial reporting is performed in accordance with relevant external and internal steering instruments.

## **Monitoring**

Monitoring to ensure the effectiveness of internal control in terms of financial reporting is conducted by the Board, the Audit Committee, the President, Group Management, the Internal Control staff function, the Treasury staff function and by the Group's companies and business areas. Monitoring includes the follow-up of monthly financial reports in relation to budget and targets, as well as quarterly reports with results from self-assessments in the Group's companies and business areas, and results from internal audits. Monitoring also includes following up observations reported by the company's auditor. The Internal Control staff function works in accordance with an annual plan that is approved by the Audit Committee. The plan is based on the risk analysis and encompasses prioritized companies, business areas and processes, as well as work programs and budgets.

## Activities in 2010

The Internal Control Group staff functions conducted 30 (25) internal audits in 16 (eight) countries. The greatest geographic focus was on Brazil, China and India. The majority of the audits were conducted by an internal team comprising the Internal Control staff function in cooperation with other staff functions with specialist competence in such areas as purchasing, cash-flow management and finance, and with external consultants. Internal audits of IT security are

carried out by the head of Group IT together with external consultants

In 2010, considerable focus was on purchasing processes that influence cash flow, since the Group has large purchasing flows of raw materials, components and services. Focus was also on accounting and reporting processes in the Group's companies. A new process for 2010 was the salary management process, including pensions and other compensation.

The Internal Control Group staff function also conducted training in China, among other countries, in order to draw attention to, and train local companies in, the significance of effective processes and good internal control.

In conjunction with the majority of company visits around the world by the Internal Control staff function, the status of risk management in various areas such as the environment, legal issues, etc. has been fed back to the Group staff function concerned for follow-up. Cooperation between the Internal Control, the Group Legal and Risk Management staff functions, which are primarily responsible for the ERM process, was mainly focused on further development of the Group's ERM reporting in 2010.

## **Focus in 2011**

In 2011, the Internal Control staff function will work broadly with the audit of all processes. However, focus will continue to be on the purchasing process, although IT security audits and the management of value-added tax will also be a focus area.

Geographically, the growth markets outside North America and Western Europe will continue to be prioritized markets for the Internal Control staff function in 2011.

Trelleborg, February 15, 2011  
Board of Directors of Trelleborg

	Company 1	Company 2	Business area 1	Business area 2	Purchasing	Treasury	Etc.
<b>Financial report and reporting processes</b>		<b>Self-evaluation</b>		<b>Internal audit</b>		<b>Training/Tools</b>	
<b>Purchasing process</b>		<ul style="list-style-type: none"> <li>■ Group-wide reporting system with quarterly feedback from subsidiaries</li> <li>■ Subsidiaries respond to how they comply with the Group's minimum requirements for good internal control in selected processes</li> </ul>		<ul style="list-style-type: none"> <li>■ Internal audits are conducted by the Internal Control staff function in cooperation with internal resources from other staff functions and external consultants</li> <li>■ Internal audits of IT security are carried out by the head of Group IT together with external consultants</li> <li>■ Comprises seven selected processes and about 250 minimum requirements for good internal control</li> <li>■ Internal audits result in observations, recommendations and proposals for decisions and measures</li> <li>■ Identified deficiencies are followed up on a quarterly basis by business area controllers and the Internal Control staff function.</li> </ul>		<ul style="list-style-type: none"> <li>■ A number of training programs in defined processes relating to minimum requirements for good internal control took place in 2010</li> <li>■ Training programs are aimed at increasing knowledge levels and understanding pertaining to efficient processes and good internal control</li> <li>■ Training programs are a forum for the exchange of experience and sharing best practice</li> <li>■ A new intranet section has been available since 2009 to provide employees access to standardized tools and documents, as well as examples of business solutions.</li> </ul>	
<b>Inventory process</b>		<ul style="list-style-type: none"> <li>■ Deficiencies are identified, measures planned and implemented by the companies</li> </ul>					
<b>Sales process</b>		<ul style="list-style-type: none"> <li>■ Includes approximately 100 subsidiaries, of which the largest approximately 40 companies shall apply both A and B levels in terms of minimum levels for good internal control and the approximately 60 smaller companies will only apply the A level</li> </ul>					
<b>Process for assets</b>		<ul style="list-style-type: none"> <li>■ Covers seven selected processes and about 250 minimum requirements for good internal control</li> </ul>					
<b>IT security process</b>		<ul style="list-style-type: none"> <li>■ All relevant employees annually confirm their compliance with the Group's policies.</li> </ul>					
<b>Salary management process incl. pensions and other compensation</b>							



## We take **responsibility** for the future

Our products and services help our customers to protect people, processes and the environment, thus contributing to the development of a sustainable society. I am proud to be able to say that in this and other ways, we take responsibility for the future.

Responsibility for the future includes pursuing an extensive and active initiative to prevent the occurrence of varying types of injury and risks related to Trelleborg's products and other operations. I am extremely keen for Trelleborg to be a safe and sound workplace, at all its worldwide locations, and that we all have the same core values and sound ethics.

Our Code of Conduct continues to constitute our key tool in this area. We are becoming increasingly systematic in our examination of compliance with the Code in our own organization and follow up the same principles of responsibility with our suppliers. We encourage suppliers and business partners to follow our lead and join the United Nations Global Compact's principles for responsible corporate practices. In 2010, the ISO standard 26000 established guidelines that provide us with further guidance regarding sustainability both now and in the future.

Energy and the climate remain prioritized issues for Trelleborg, as do improved processes within the framework for Manufacturing Excellence and our established work environment program Safety@Work. Responsible

chemicals management in accordance with the EU's REACH rules and regulations forms another central issue.

Continuous improvement and openness are fundamental principles for us at Trelleborg. For these reasons we continuously develop the reporting of our CR work in accordance with the guidelines of the Global Reporting Initiative. This year, we have chosen to report our level of GRI fulfillment alongside our own target indicators in an overview on page 64. In 2010, we completed an internal six month interim report for CR for the first time.

For me, working in a future-oriented manner means never being satisfied, something can always be improved, also regarding our responsibility in the area of sustainability. This report enables us to describe how we continuously advance our positions. We welcome viewpoints regarding our CR work and reports from all our stakeholders.

Peter Nilsson, President and CEO

### ► External audit and GRI level

PwC conducted a limited review of the entire report on Trelleborg's Corporate Responsibility work in 2010, with a focus on the most significant CR issues. See the assurance report on page 65 or [www.trelleborg.com/cr](http://www.trelleborg.com/cr).

Trelleborg reports in accordance with GRI level B+ and PwC has reviewed and verified the application level. Complete information and the GRI index can be viewed at [www.trelleborg.com/cr](http://www.trelleborg.com/cr).

WWW

### ► Trelleborg and Global Compact

Since 2007, Trelleborg has been affiliated to the UN's Global Compact network, which is an initiative to promote responsible corporate practices in the areas of human rights, labor, environment and anti-corruption.



The figures specified for 2010 are based on continuing operations. However, historical comparative figures have not been restated for the CR section (pages 52-64), with the exception of Water consumption on page 57, where the indicators have been adjusted, and Generated and distributed value on page 62.

# Corporate Responsibility

Trelleborg's corporate responsibility (CR) work spans the entire area of sustainability from environment, health and safety issues to ethical relationships with employees, customers, suppliers and society as a whole.

The Group's business concept – polymer solutions that seal, damp and protect – enables Trelleborg to contribute positive and innovative products and solutions that promote the development of society in respect of the environment and occupational health and safety. For further information see page 61.

## Systematic work with Corporate Responsibility

Trelleborg's Code of Conduct in the areas of the environment, occupational health and safety, and ethics applies to all employees, without exception. The Code of Conduct is based on internationally recognized conventions and guidelines, such as the UN conventions on human rights, the ILO's conventions, the OECD's guidelines and the UN Global Compact. The Code states clearly that every employee has the right to report suspicions of serious breaches of laws or regulations without any repercussions whatsoever as part of our whistle-blower policy.

Training in the Code of Conduct is mandatory for all employees, and the Code forms the basis for the Group's internal work with CR issues (see diagram below). Training is conducted via e-learning and conventional courses.

Key steps were taken during the year that enabled systematic follow-up to ensure compliance with the Code at all Trelleborg units. The process builds on self-evaluation and internal audits. Every Trelleborg unit receives a questionnaire in respect of compliance with the Code of Conduct. The completed forms are sent in and centrally evaluated to ascertain if any additional clarification is required from the respective unit. Any remaining faults are followed up with an internal audit. Within certain areas of the Code, self-evaluation and internal audits are reinforced by external audits, such as ISO 14001 environmental audits.

Trelleborg's annual Corporate Responsibility Report is prepared in accordance with the guidelines of the Global Reporting Initiative (GRI). Information for 2010 has been compiled from the Group's production units and other available statistical information in accordance with the Group's standard for CR reporting. The principles are given in greater detail at [www.trelleborg.com/cr](http://www.trelleborg.com/cr), which contains a complete index that clarifies exactly how the CR reporting follows the GRI guidelines, as does our yearly report (Communication on Progress) to the UN Global Compact.

www A new feature contained in this Annual

Report is an overview of the connection between Trelleborg's reporting, the GRI's guidelines, the UN Global Compact and ISO 26000 on page 64.

## Organization

At Board level, it is the Audit Committee that has the task of supporting and following up the work on corporate responsibility issues. CR reporting is managed by a group comprising representatives from the Group Corporate Communications, Legal Department, Environment, HR and Purchasing staff functions. The Corporate Communications staff function is responsible for coordinating the reporting.

Direct responsibility for issues relating to the environment, health and safety rests with each unit. Every production plant has an environmental coordinator and a person responsible for occupational health and safety. The central Group function, Environment, which is a part of the Group Legal Department, is responsible for control and coordination of environmental issues. The Group's Environment Forum, a group that meets four times a year and consists of environmental managers from the four business areas, functions as an aid to the central Environment Group function.

## ► Systematic Corporate Responsibility work in Trelleborg



## ► The year in brief

- Trelleborg's environmental footprint was reduced for the majority of key ratios in absolute and relative terms.
- The Safety@Work program continued to generate results in the process of developing the safety culture.
- The audit of suppliers utilizing self-evaluation and follow-up continues.
- Internal auditors trained to be able to perform internal Code of Conduct audits.
- Internal six-month reporting of CR performance indicators completed.

# Target indicators, outcome and progress in 2010

Area	Results 2010	Measures and progress
<b>Environment</b>		
 <b>Energy</b> Reduce energy consumption by 10 percent by 2011 (base year 2008).	1,198 (1,288) GWh Improved energy efficiency has resulted in an 9.5 percent decrease, relative to sales, compared with 2008.	The Energy Excellence Program for systematically enhancing the efficiency of energy continued at all production units.
 <b>Climate</b> Reduce direct and indirect carbon dioxide emissions by at least 15 percent relative to sales by 2015 (base year 2008).	Decrease in absolute terms in 2010, and a decrease of 10 percent relative to sales compared with 2008.	Energy Excellence savings also reduce the impact on the climate.
 <b>Chemicals</b> Establish a list of substances to be phased out not later than 2011.	Work and planning for this commenced in conjunction with adaptation to the EU's REACH legislation.	Work on the adaptation to REACH continues (see page 57).
 <b>Waste</b> Reduce the amount of waste by 10 percent relative to sales by 2011 (base year 2008).	59,300 (59,400) tons. The decrease was 9.7 percent, relative to sales, compared with 2008.	The focus will initially be on the largest plants.
 <b>Emissions</b> Reduce emissions to air of volatile organic compounds (VOC), nitrogen oxides and sulfur dioxide by 10 percent relative to sales by 2011 (base year 2008).	1,737 (1,256) tons. A distinct increase in absolute terms (see explanation on page 57), and a 45-percent increase relative to sales, compared with 2008.	Projects in progress to reduce VOCs in several product areas, for example, the printing blanket area, which is a solvent-intense production process.
 <b>Environmental management</b> Implement environmental management systems in 90 percent of the production units, with 85 percent having ISO 14001 certification by 2011.	80 (71) percent.	In 2010, a number of facilities received certification including Spartanburg, South Carolina, USA.
 <b>Water</b> Reduce water consumption by 5 percent relative to sales by 2011 (base year 2008).	2.5 (3.0) million cubic meters, a 38-percent reduction, relative to sales, compared with 2008.	Extensive water recycling projects in Tivoli and Ersmark have generated lasting results.

## Workplace

 <b>Safety@Work</b> Implement the Safety@Work program at all production units.	100 (100) percent.	The average points in the self-evaluations increased 0.4 percent in 2010 to 812 points (809) out of a possible 1,000 points.
 <b>Human rights and discrimination</b> Zero tolerance for the existence of child or forced labor and reported and reviewed cases of discrimination.	0 (0) cases of child or forced labor. 6 (3) registered cases of discrimination, all of which have been investigated and dismissed.	
 <b>Employee performance reviews</b> Offer all salaried employees to level 5 documented employee performance reviews.	87 (100) percent.	The joint portal for employee performance review discussions provides uniformity and efficiency in the Group. The initial target group was expanded to include staff level 6.

## Customers and Suppliers

 <b>Anti-corruption</b> Zero tolerance for bribery, corruption or cartel behavior.	For information regarding the competition investigation, refer to page 72.	Training courses related to corruption and conduct in the competition area have continued, see pages 36 and 60.
 <b>Suppliers</b> Work with suppliers who support the applicable parts of the company's Code of Conduct.	Self-assessment implemented at suppliers, which represent about 25 percent of total procurement in monetary terms.	The self-assessment and auditing of suppliers will be further developed in 2011.

## Society

 <b>Transparency</b> To continuously develop the company's CR reporting in accordance with Global Reporting Initiatives guidelines, at a minimum of level B+.	CR reporting for 2010 also conforms to GRI guidelines and has been deemed to comply with requirements for level B+ by a third party (PwC).	CR reporting on the Internet is continuously developed to be more educational and user friendly. In 2010, Trelleborg's CR website was named best Swedish CR website.
---	--	--

# Active stakeholder dialog

## Active stakeholder dialog

Trelleborg's stakeholder communication is to be characterized by open relationships, regular dialog, clarity and a high level of ethics. The most important stakeholder groups are *Customers, Suppliers and Partners, Shareholders and Investors, Employees, Society and Authorities*. Read more about how representatives of these groups have contributed to the analysis of sustainability issues in the box on the right.

### Channels for regular stakeholder dialog:

A key channel for all of Trelleborg's stakeholders is the company's website, [www.trelleborg.com](http://www.trelleborg.com), which includes about 60 associated websites, as is the company's participation in social media.



**Customers:** Meetings between Trelleborg's representatives and customers. The Group's customer and stakeholder magazine *T-Time*

**Suppliers and Partners:** Supplier visits and supplier screening through surveys.

**Shareholders and Investors:** Shareholder service (telephone and e-mail channels), Annual General Meetings, analysts' meetings, meetings with ethical investors.

**Employees:** Internal communications channels, such as Trelleborg Group Intranet (intranet), *E-Connect* (digital newsletter) and *Connect* (internal magazine), internal courses, trade union cooperation and events.

**Society:** Local Open Day, family and sponsorship activities, collaboration with universities and colleges.

**Authorities:** Dialog with local supervisory authorities about specific issues. Trelleborg also works through trade organizations on national and European levels.

### Some examples of stakeholder meetings from 2010:

In October 2010, the annual seminar was conducted with Master's students at the International Institute for Industrial Environmental Economics in Lund who provided feedback on Trelleborg's CR reporting.

In November 2010, Trelleborg participated in Ford's global sustainability meeting for selected suppliers in Dearborn, Michigan, USA. Trelleborg is deemed to fulfill the criteria, along with nine other companies, of the three phases of sustainability that Ford identified as significant for its suppliers.

Participation in roundtable discussions for the one hundred largest listed companies in Sweden, arranged in December 2010 by the investor initiative Sustainable Value Creation.

## Materiality analysis of sustainability aspects

Materiality analysis is one of a range of tools to survey external and internal stakeholders opinions in respect of which CR/sustainability aspects are most central to Trelleborg, and was last conducted in 2009. Following a review of Trelleborg's Code of Conduct, the Global Compact, the Global Reporting Initiative (GRI) guidelines and the Dow Jones Sustainability Index, some 20 aspects were identified. A selection of external and internal stakeholders was then asked for their

opinions on the importance of these aspects for Trelleborg. The results of the survey, presented in the diagram below, provide support for prioritization in CR reporting and for more in-depth stakeholder dialogs. Three aspects that were assigned a high priority both externally and internally were *Product quality and safety, Use of hazardous chemicals in manufacturing and Emissions to air and water*.

### Stakeholders' view of Trelleborg's corporate responsibility



## Distinctions and comparisons in 2010

- In Ernst & Young's yearly review of annual reports from listed Swedish companies, Trelleborg AB was deemed best in risk reporting and accordingly, was awarded the 2010 Risk Transparency Award.
- The consulting firm, Hallvarsson & Hallvarsson's yearly review in 2010 named Trelleborg AB best in Sweden at reporting Corporate Responsibility on the Internet. Of the approximately 900 websites reviewed, Trelleborg was awarded the highest points.
- Trelleborg received 69 (62) points in the Carbon Disclosure Project's (CDP) annual Nordic Climate Report for 2010. According to CDP top companies (70 points or more) exhibit understanding of climate initiative risks and opportunities, strategic focus, knowledge of measurement methods and openness to stakeholders.
- In 2010, Trelleborg was included in the following sustainability indexes:
  - OMX GES Sustainability Sweden
  - OMX GES Sustainability Nordic
  - OMX GES Ethical Nordic Index
  - OMX GES Ethical Sweden Index
  - Nordic Sustainability Stars Sweden Top 25 (Ethix)
  - ESI Europe (Ethibel)

## CR reporting on the Internet

Visit [www.trelleborg.com/cr](http://www.trelleborg.com/cr) for Trelleborg's complete collection of CR reports on the Internet. The website also explains data collection and accounting principles in detail. Additionally, a GRI index is published that clarifies exactly how the reporting complies with the Global Reporting Initiative's guidelines.



# Environmental responsibility

Trelleborg's total environmental footprint has been reduced in almost every area, which is shown by the changes in our relative environmental key ratios. The majority of the Group's performance indicators showed a positive trend, a result supported by continued operational and resource-related efficiency enhancements.

Trelleborg has extensive production operations in about 30 countries, which means that environmental and occupational health and safety issues constitute an integral part of the company's responsibility work. This work is being performed at both the central and local level. The environmental work includes proactive measures aimed at reducing environmental impact and risks. The following areas continue to be emphasized in the Group's environmental policy and comprise priority areas; environmental management, energy and materials efficiency, and sustainable product and process development. The environmental impact of individual facilities varies widely, depending on their size and processes. The most significant environmental aspects include energy and raw materials consumption, emissions to air and water, and waste. The Group's operations also generate extensive transports. In 2010, production operations were conducted at 113 facilities, including 67 in Europe, 33 in North and South America, 11 in Asia and 2 in Australia.

Target indicators in specific key areas have been developed further to improve the Group's monitoring of implementation and compliance. During the year, interim data was gathered for these key areas as a step towards creating a more continuous process for reporting and feedback. The results were published internally and made available to all reporting businesses. During the coming year, the ambition is to strengthen the follow-up process by allowing the key ratios that relate to resource efficiency to be integrated and reported via the business system.

Trelleborg's internal environmental handbook includes recommendations addressing the most central issues with regard to policies and risks, and is being implemented globally throughout the organization. A process for environmental risk assessment has been implemented globally and builds on the internal self-evaluation work conducted under Environmental Blue Grading and Soil Pollution Dashboards, as well as an assessment performed by Trelleborg's property insurance provider FM Global. This work and process are based on the environmental handbook and provide support for the identification and elimination of environmental risks linked to the company's operations.

## Environmental management

- **Proportion of facilities with ISO 14001 certification: 80 (71) percent**

An important cornerstone in Trelleborg's environmental work is the environmental management standard ISO 14001, a mandatory requirement for all production plants in the Group. According to the Group policy, all larger facilities must have certified systems. At year-end 2010, a total of 90 (92) facilities were certified, which corresponds to about 80 (71) percent of all plants.

## Energy

- **Total energy consumption: 1,198 (1,288) GWh**
- **Direct energy consumption: 505 GWh**
- **Total energy consumption/sales: 0.0440 (0.0476) GWh/SEK M**

Energy savings is a focus area in Trelleborg's environmental policy, and the objective is for all production plants to develop an energy-savings plan.

In 2009, Trelleborg's Energy Excellence Program for systematic energy-efficiency enhancements was implemented at all production units. Energy Excellence is based on self-assessment and the identification/implementation of improvement projects through specially trained coordinators at each production unit. These coordinators in turn form an improvement team to implement savings measures pertaining to such areas as buildings, compressed air systems, heating/ventilation, lighting and cooling systems. The program has generated distinct savings in the form of lower energy consumption and energy costs and reduced the Group's total carbon emissions.

The Group's total energy costs for 2010 amounted to SEK 658 (707) M.

## Climate impact

- **Total CO<sub>2</sub> emissions: 347,000 (377,000) tons**
- **Direct CO<sub>2</sub> emissions: 110,000 (115,200) tons**
- **Total CO<sub>2</sub> emissions/sales: 12.8 (13.9) tons/SEK M**

A significant part of the Group's climate impact is caused by direct carbon emissions from the combustion of fossil fuels and indirectly through the consumption of purchased electricity, steam and district heating.

The "15 by 15" climate target adopted by Trelleborg in 2009 (see below) addresses these direct and indirect emissions.

The Group's reporting of indirect emissions has been adapted to comply with the Carbon Disclosure Project's recommendations, which means that national conversion factors taken from the Greenhouse Gas Protocol were applied. Trelleborg has taken clear steps to prevent and reduce the climate-related effects of its operations, which include the improvements in energy efficiency as specified above.

Since 2007, Trelleborg has participated in the voluntary reporting process of the Carbon Disclosure Project (CDP), which involves openly reporting all relevant performance indicators and data. On behalf of global investors, the CDP gathers information regarding emissions of greenhouse gases by companies and organizations as well as the measures being taken by them to prevent a negative climate impact, visit [www.cdpproject.net](http://www.cdpproject.net). In the CDP's annual report for 2010, Trelleborg received 69 points, compared with 62 points in the preceding year.

Only one plant, to a limited extent, was affected by the EU directive on trading of emission rights in 2010.

## Trelleborg's "15 by 15" climate strategy

Trelleborg's goal is to reduce its direct and indirect carbon emissions by at least 15 percent, relative to sales, by the end of 2015 ("15 by 15"), calculated from the reference year of 2008. The emissions in question are caused by energy produced on a proprietary basis and included in **Scope 1** of the Greenhouse Gas Protocol (see diagram below), as well as those caused by electricity and steam purchased for internal use, which correspond to **Scope 2** (see diagram).

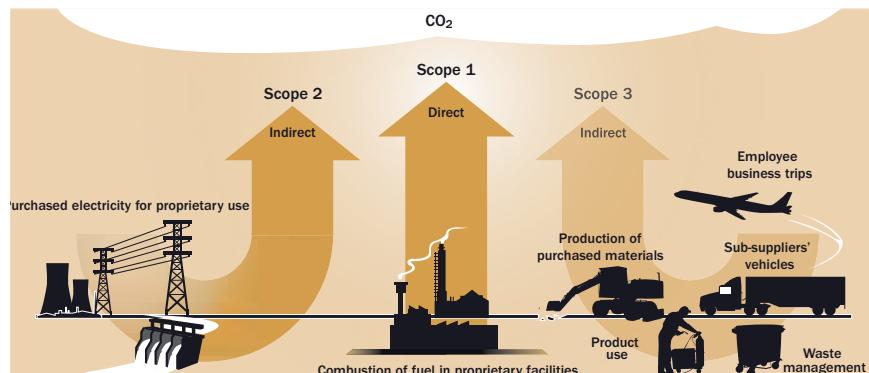
As part of the Energy Excellence Pro-

gram (see above), efforts to reduce energy consumption in Trelleborg's production operations have been in progress since 2009, which simultaneously resulted in a reduction in carbon emissions.

**Scope 3** includes indirect emissions from transports, travel, purchased materials, product use and waste management. Focus on reducing these types of indirect emissions will gradually increase in Scope 3.

Read more about climate-related opportunities and risks at [www.trelleborg.com/cr/](http://www.trelleborg.com/cr/) strategy.

WWW



## Emissions to air

- Volatile organic compounds:** 1,737 (1,256) tons
- VOC emissions/sales:** 0.064 (0.046) tons/SEK M

In addition to such energy-related emissions as carbon dioxide (see above), sulfur dioxide, 358 (257) tons, and nitrogen oxides, 57 (55) tons, emissions to air primarily comprise volatile organic compounds (VOC).

Emissions of VOC mainly originate from the use of adhesive agents containing solvents and the manufacturing of printing blankets. The trend in 2010 has been negative, which is attributable in its entirety to a three-month period of technical disruption in respect of the recycling equipment at the printing blanket production facility in Shanghai, which has now been remedied. Multiple projects are under way to replace solvent-based products in several areas, resulting in positive effects for both the environment and the work environment.

## Raw materials

- Raw rubber consumed:** 106,100 (115,400) tons

The principal raw materials are polymers and metal components, as well as additives including softening agents (oils), fillers, such as carbon black, and vulcanizing agents (sulfur, peroxides). Of the raw rubber used, approximately 38 (31) percent is natural rubber and 62 (69) percent is synthetic rubber.

As a chemical user, Trelleborg is affected by the EU chemical legislation REACH. Activities to adapt the Group's operations to REACH continued in 2010, with a focus on communication with suppliers and customers regarding REACH-related issues to ensure compliance.

## Water

- Total water use in production:** 2.5 (3.0) million m<sup>3</sup>

The indicator was adjusted to include total water consumption, which is more comprehensive.

Historical comparative figures have been restated in the diagram below. The total volume of water that has been extracted by source is as follows: 47 percent from drinking water, 24 percent from own wells and 29 percent from surface water. Water is used in production primarily for cooling and cleaning. Major savings have been made, for example, through the introduction of recycling systems. Emissions to water are limited and mainly consist of organic material.

## Waste

- Total amount of waste:** 59,300 (59,400) tons
- Total waste/sales:** 2.2 (2.2) tons/SEK M
- Degree of recycling:** 46 (56) percent

Continuous work is under way in the local operations to find waste disposal alternatives with a higher degree of recycling and lower cost. Recycling is carried out by external and internal partners.

In 2010, the Group's total waste management cost amounted to SEK 48 (54) M. The division of waste management was 3 percent to internal recycling, 43 percent to external recycling, 14 percent to energy recovery, 35 percent to landfill and 5 percent to other waste management services. Of the total waste, rubber waste accounted for slightly more than 33 (33) percent. The volume of environmental or hazardous waste requiring special treatment amounted to 5,100 (5,100) tons.

## Permits and non-compliance

A total of 85 (85) percent of the plants are required to hold permits under local law. All facilities in Sweden, 13 in total, are required to hold permits or register their activities. Applications to renew environmental permits are currently being processed for 35 facilities (three in Sweden), of which all are expected to receive the permits requested.

During the year, some form of violation against the terms of permits or local environmental, health and safety legislation occurred at 13 (12) facilities. Of these, 2 (2) cases resulted in fines. The total cost for fines amounted to approximately SEK 0.08 (0.16) M. Other causes of violations were noise and emissions to air. Complaints from neighbors and other parties concerned were filed against 6 (10) facilities. The most common reasons were noise and odor.

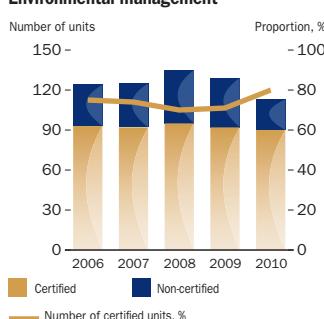
## Environmental risks and debts

3 (2) cases of unforeseen emissions were reported in 2010, corresponding to about 500 (0.7) m<sup>3</sup>. Nearly the entire volume comprised water, mixed with chemicals, from fire-extinguishing activities following an incident in Morristown, in the US.

Historically, the handling of oil and solvents has often given rise to soil and groundwater contamination. Remediation of contaminated soil is currently under way at 8 (10\*) plants. Another 6 (4) facilities are expected to require remediation, although the extent of the remediation has not yet been determined. In addition, Trelleborg is participating as one of several formal parties in another 6 (6) cases of remediation (2 in Sweden and 4 in the US), although with a marginal cost responsibility. The Group's provisions for environmental commitments amounted to SEK 52.5 (69) M at year-end.

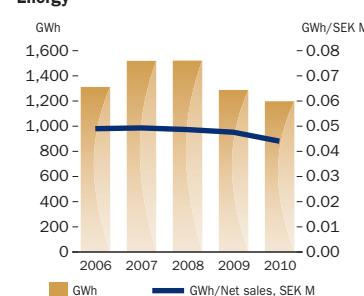
When conducting acquisitions and divestments, Trelleborg performs environmental studies of the operations and land in question to assess and outline their environmental impact and to identify potential environmental debts. During 2010, 12 (four) studies were initiated and performed in conjunction with acquisitions and divestments.

## Environmental management



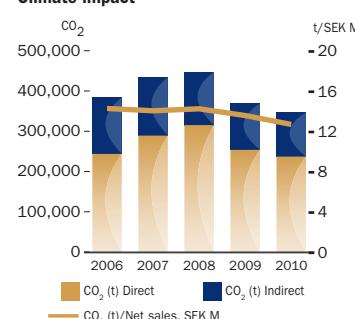
The proportion of certified plants rose compared with 2009.

## Energy



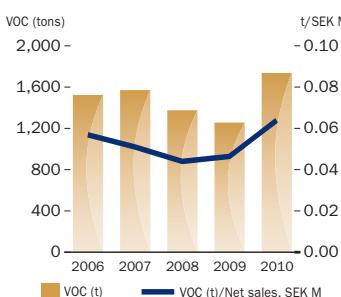
The Energy Excellence savings program caused a reduction in energy consumption in absolute terms compared with 2009. This value includes consumption of electricity, purchased steam and district heating.

## Climate impact



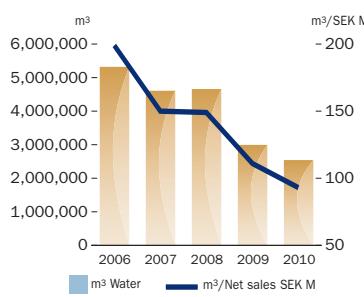
In 2010, total carbon emissions declined in absolute terms and relative to sales.

## Emissions to air



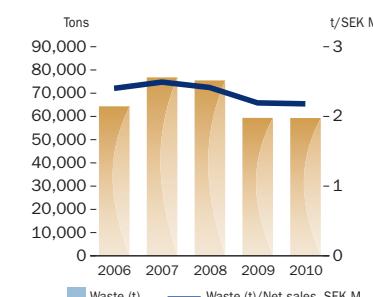
Emissions of volatile organic compounds increased in absolute and relative terms: see the comment in the text under *Emissions to Air*.

## Water



Total water consumption includes water used in production and, for example, sanitary water. Consumption declined in absolute and relative terms.

## Waste



The volume of waste remained unchained, both in absolute and relative terms.

\* The figure for 2009 has been corrected.

# Responsibility for employees and the workplace

Trelleborg's responsibility for employees and the workplace includes human rights, a healthy working environment and employee development. The same respect for health and safety must prevail irrespective of where in the world operations are conducted.

## Human rights

Human rights comprise fundamental rights and are defined as conventions and declarations in respect of child labor, forced labor and the right to freedom of association and collective agreements, diversity issues and gender equality. All of these areas are addressed in Trelleborg's Code of Conduct. Our Whistleblower policy gives all employees the opportunity to report suspected violations of laws or regulations.

### Child and forced labor

- Infringements related to child or forced labor 0 (0)**

Trelleborg has collaborated with Save the Children for a number of years; this collaboration strengthens our competence in the area of child labor. Save the Children and the UN's Global Compact (whose principles have been signed by Trelleborg) have initiated a partnership to clarify children's roles and rights within the framework of Global Compact's principles.

No (0) infringements occurred in 2010 in respect of child or forced labor.

## Workplace relationships

- Percentage of employees with labor union representation via collective agreements: 53 (50) percent**

Within Trelleborg, continuous change processes are under way in connection with acquisitions, divestments and rationalizations. Accordingly, a primary task is to provide the conditions for change and, with respect for each employee, reduce uncertainty and insecurity, while at the

same time ensuring the company's continued competitiveness. Trelleborg always complies with local legislation or collective agreements in terms of time required for notice of lay-offs.

In 2010, Trelleborg divested one business unit and entered an agreement covering the divestment of another business unit (see page 72). Additionally, the Group made staff reductions particularly in the more mature markets, although staff increased in certain emerging markets, including China and India. Net, the number of employees has increased by approximately 1,500 employees.

Trelleborg's policy is to recognize local union clubs and the right to a collective agreement. In total 53 (50) percent of Trelleborg's employees at the Group's production plants are represented by unions through collective agreements.

## Diversity and equality

- Number of reported and investigated cases of discrimination: 6 (3)**

Trelleborg's Code of Conduct states that Trelleborg does not apply special treatment to employees in regard to employment or work assignments on the basis of gender, religion, age, disability, sexual orientation, nationality, political opinions or social or ethnic origin. In 2010, 6 (3) cases of discrimination were reported and reviewed. All six cases were dismissed.

The successful mentor program focused on female participants that was launched in 2009 ended during the year. In 2010, a new program was started focused on participants

from emerging markets. In Folksam's Gender Equality Index 2010, Trelleborg held an average grade of three out of five. The average for the Capital Goods industrial group was 2.6. The index measures how even the distribution is between women and men in the Group, on the Board of Directors and in Group Management.

## Work environment – Health and safety

- Work-related injuries/illnesses (Lost Work Cases, LWC): 416 (553) cases**
- LWCs per 100 employees per year: 2.75 (3.42)**
- Average number of work days lost per injury per year: 22 (20)**
- Percentage of units with a safety committee: 95 (97) percent**

Trelleborg's Code of Conduct emphasizes the objective of preventing work-related injuries and illnesses at all of the Group's workplaces globally. Trelleborg's Safety@Work program supports the organizational change that is required to create a culture of safety and strengthens the Group's ability to attract, develop and retain good employees in all its units. Accordingly, the Safety@Work program was introduced globally at all active production units. The progress of the Safety@Work program is monitored by the company's CR reporting structure.

In 2010, all active production units underwent Safety@Work training, conducted self-assessments and developed a plan for preventive and corrective measures. More than 50 trained internal examiners performed reviews at more than half of the plants. The

## Number of employees at year-end\*

Distribution by country	2010	2009	Change
USA	2,815	2,852	-37
France	2,004	2,068	-64
Sweden	1,882	1,696	186
China	1,430	1,119	311
UK	1,408	1,257	151
Italy	1,246	1,258	-12
Germany	1,126	1,137	-11
Spain	1,102	1,047	55
Brazil	1,025	946	79
India	902	617	285
Sri Lanka	795	745	50
Malta	530	461	69
Mexico	470	338	132
Poland	454	407	47
Czech Republic	264	251	13
Turkey	206	193	13
Rest of North America	18	20	-2
Rest of Western Europe	1,097	1,069	28
Rest of Europe	673	554	119
Rest of South and Central America	4	4	0
Rest of Asia and other markets	942	860	82
<b>Total</b>	<b>20,393</b>	<b>18,899</b>	<b>7.9%</b>

\*including insourced staff and temporary employees

Trelleborg has operations in 43 countries. Of the total number of employees, 91 percent work outside Sweden.

The number of employees in the entire Group at year-end, including insourced staff and temporary employees, was 20,629 (21,119), which included employees in divested companies totaling 236 (2,220).

The average number of employees in the Group declined during the year to 20,042 (20,073), of which 25 (25) percent were women. For further information, see Note 3 on pages 85-86 and the map on pages 111-113.

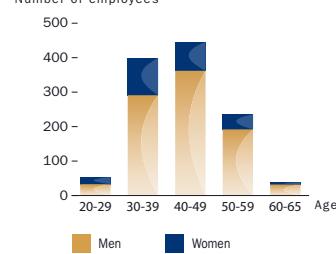
Salaries and other benefits for the average number of employees (excluding insourced staff) amounted to SEK 5,972 M (6,082).

Personnel turnover (not taking terminations and retirements into consideration) varies among countries and facilities, and often reflects the local labor situation. Personnel turnover was 7 (5) percent during 2010. The majority of plants indicate a personnel turnover below 5 percent.

## Age and gender of middle managers at management levels 3-5

### Age structure

Number of employees



The diagram shows the age categories and gender distribution of middle managers at management levels 3-5 in Trelleborg's units. Level 3 corresponds to reporting to the Business Area President. The largest age categories are the 30-39 and 40-49 age brackets.

The proportion of women is highest in the youngest age categories: 39 percent in the 20-29 age bracket and 27 percent in the 30-39 age bracket. The proportion of women in executive management positions is 9 (8) percent and 29 (14) percent on the Board of Directors.



**Trelleborg's values:** Trelleborg's four fundamental values – *customer focus, performance, innovation and responsibility* – constitute continuity in the Group's activities to develop managers and employees.

It is the responsibility of managers and employees to continuously work to integrate these values in each of the Group's units. To support these efforts, the Group provides brochures, presentations and printed materials.



combined result of these activities was the development of an improvement program that aims to reduce the risks at these units.

The follow up of selected indicators aims to reduce the number of injuries and the number of days lost due to absenteeism arising from these injuries, and improve the results generated by the Safety@Work reviews.

Trelleborg's facilities continue to demonstrate a declining trend in terms of cases of work-related injuries/illnesses. In 2010, 416 (553) cases resulting in more than one day's absence were reported (= Lost Work Cases, LWC). This corresponded to a reduction of 25 percent compared with 2009.

The number of LWCs per 100 employees per year decreased to 2.75 (3.42), while the number of working days lost per injury per year increased to 22 (20). In 2010, the average number of points in the Safety@Work risk model (the points received by a facility based on the assessment of all input elements in the model) increased to 812 in reviews and self-assessments, compared with 809 in the year-earlier period, corresponding to an improvement of 0.4 percent.

Trelleborg's goal is that all facilities should have a well-functioning safety committee. In 2010, such committees with representation from plant management were in place at 95 (97) percent of facilities.

Total absenteeism for 2010 at the Group's production units in Sweden was 4 percent of normal working hours.

#### Talent management

- **Salaried employees at levels 1-5 that have completed a performance review: 87 (100) percent**
- **Internal recruitment to the four highest management levels: 67 (63) percent**
- **Average number of training hours per employee at the production units: 13 (14)**
- **Training in the Group's Code of Conduct for employees at the production units: 76 (60) percent**

The goal of the Group's Talent Management program is to secure a strong talent base for the supply of managers in the Group. The annual Talent Management process is a Group-wide process aimed at identifying, developing and utilizing Trelleborg's management potential.

The process, which involves performance reviews, assessment centers and training and

development activities, is designed to find the best match between the company's future recruitment requirements and individual career plans.

#### Employee performance review process

Employee performance reviews are structured to help motivate employees and aid them in their performance and development. The manager and employee adhere to an established structure when preparing for the review. In 2010, a shared internal tool for this was used by approximately 2,800 employees, which is an important step in the right direction to making a uniform process for the entire Group.

At the review, the parties discuss targets for the past year and the future, career development, mobility and development needs. Performance and potential are evaluated and in 2011, evaluation of managerial potential becomes obligatory. If the employee has managerial potential, a career development plan must be prepared.

The aim for 2010 was to include all employees to level five in the process. A total of 87 percent of employees at these levels underwent performance reviews in the period 2010-2011. Work will continue with level 6 in 2011 and subsequent years.

#### Talent review process

The main purpose of the Talent Review Process is to utilize the employee performance reviews conducted to identify employees with potential for advancement and to thus ensure meeting the company's needs for managers.

Unit and HR managers meet regularly to discuss potential candidates in the business areas and units. Where necessary, Assessment Centers are used to verify potential and determine development needs. The employees are supported by personal development plans (see above) along their career paths.

The talent base and plan for leadership succession are then presented to Trelleborg's Board.

The overall objective is a degree of internal recruitment of 50-70 percent for the four highest levels of management. This figure is currently about 67 percent in total.

An important part of the process is to increase the number of internal work changes between the business areas. Trelleborg wants to increase the Group's opportunities to free the potential of employees and use internal talent in the best way possible.

For the same reason, all vacant positions are advertised on the Group intranet.

#### Training and development

Trelleborg's fundamental principle for human resource development is to provide suitable training to increase employee proficiency. At the same time, the Group strengthens its employees' social and financial opportunities.

In 2010, the average number of training hours per employee at the Group's production plants was 13 (14).

The following training activities were held at Group level in 2010:

- Project manager program (13 participants, of whom 4 women and 9 men)
- Two rounds of Trelleborg's trainee program (27 participants, of whom 8 women and 19 men)
- Three rounds of Trelleborg's International Management Program (69 participants, of whom 10 women and 59 men)
- Two rounds of Trelleborg's Mentor program (24 participants, of whom 12 women and 12 men)
- Introduction seminars (24 participants, of whom 4 women and 20 men)

The proportion of new employees for the year in production units who have undergone training in the Group's Code of Conduct is 76 percent.

Internal auditors have commenced training to be able to conduct internal Code of Conduct audits. The second phase of the training program ends in March 2011. In total fifteen internal auditors, primarily from HR are thus ready to perform 12 to 15 audits in 2011.

#### Compensation and benefits

An important factor to ensure the Group's long-term success is to have a system of rewards that takes employees' performance into account. The scope for this is outlined in the global and Group-wide Compensation and Benefits Policy.

The basis of the policy is that the compensation structure is based on a systematic evaluation system for work content and performance. Management remuneration is described on pages 46-47.

# Responsibility for customers and suppliers

Trelleborg's responsibility for customers and suppliers is based on quality and safety in the products we deliver in parallel with sound business ethics.

## Suppliers

- Proportion of the total value of purchases for which suppliers have undergone review: approximately 25 percent**

Trelleborg's objective is to work only with suppliers who support our quality requirements and business principles. Evaluation of suppliers is primarily through joint Group self-evaluations that contain questions regarding the work environment, environmental management and social responsibility. Unsatisfactory answers are investigated. Underperforming suppliers are given a deadline for remedial measures.

A pilot project in 2009 included self-evaluations of 250 suppliers in countries with elevated risk levels. In 2010, the majority of our Group-wide suppliers of direct material, such as rubber and plastics, completed a similar self-evaluation process. This means that 33 percent of the total value of all such purchases completed at Group level were evaluated. Accordingly, in total, suppliers accounting for approximately 25 percent of the total purchasing requirement were reviewed.

In 2011, self-evaluations will become mandatory for every local purchasing unit through integration of the units in Trelleborg's obligatory "Procure-to-Pay" process. The target for 2011 is for every unit to complete a CR evaluation of their suppliers at a level equivalent to 80 percent of their purchasing value.

No supplier relationships were ended in 2010 due to environmental or social reasons. In the preceding year, seven units reported such cases.

## Products

For information on the positive effects of Trelleborg products and solutions on the environment and work environment, see the next page.

When developing new products, consideration is always given to legal and customer requirements, product liability, and environmental, health and safety aspects during manufacture and use where relevant, see diagram. Trelleborg's Environmental Policy

also states that the precautionary principle should be taken into account and that the company will, as far as possible, reduce and replace hazardous substances and materials in products and processes. These stipulations are in line with the current work being conducted in consultation with customers on replacing particularly hazardous substances in

materials and finished products are transported by truck. The Group engages transport companies that can take care of freight in an effective and safe manner. The most significant environmental impact of the transports is in the form of carbon emissions due to the use of fossil fuels.

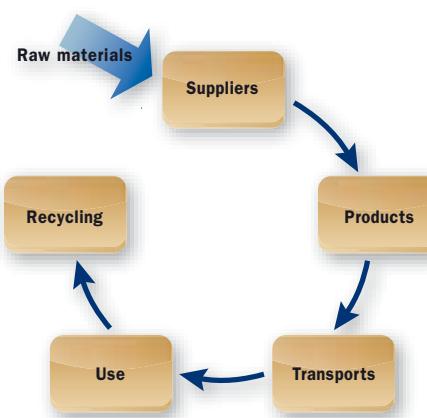
Based in Sweden, through one of its Swedish subsidiaries, Trelleborg Industri AB, Trelleborg has participated in the cooperative project Forum for Sustainable Transports, in which the participants worked to develop a tool intended to provide purchasers of heavy road transports with more sustainable transports as regards: economy, transport requirements, the environment, safety and degree of effectiveness. On the website, [www.transportupphandling.se](http://www.transportupphandling.se), transport purchasers can exchange experiences of their assessments and transport suppliers can declare their sustainability achievements.

## Recycling

Since vulcanized rubber cannot be utilized as a raw material, Trelleborg's production processes generally recycle a significant proportion of the rubber waste produced before vulcanization has occurred.

Under the EU directive on the end life of vehicles (the ELV directive), requirements are placed on the recyclability of input parts in cars. Therefore, Trelleborg supplies, in accordance with requirements from world-leading car makers, environmental declarations as per the Global Automotive Declarable Substances List (GADSL) in the shared International Material Data System (IMDS) for all products supplied in this segment.

The European level of recycling of tires has made progress. Approximately ten years ago, only half of all worn tires were gathered in and the majority went to landfills. Now, 95 percent of all worn tires in Europe go to material or energy recycling according to the Swedish tire industry's jointly owned company, the Swedish Tyre Recycling Organisation, SDAB, where Trelleborg has a seat on the Board.



existing product formulations in accordance with the EU chemical legislation REACH (refer also to page 57).

Product development is usually conducted in close cooperation with the customer. Trelleborg provides product information in the form of labeling, safety data sheets, IMDS declarations and environmental declarations that meet the requirements set by the respective customer or market.

Many customers, such as the automotive and construction industries, have specific requirements with regard to the products' environmental characteristics and input parts. Industry or customer-specific limitation lists also exist for chemicals.

## Transports

More than 90 percent of Trelleborg's raw

participate within six months of employment.

- Routines are established for approval of memberships in organizations
- Since 2006, more than 70 competition law training seminars have been held for the Group's managers and selected functions, of which a dozen were held in 2010. These training seminars, which also deal with combating corruption, will continue in 2011.
- In 2010, as part of an agreement with the United States Department of the Navy, Trelleborg completed the Trelleborg Corporation Enhanced Compliance and Training program to enhance knowledge of competition law for the Group's employees in the US.

For more information regarding measures for combating corruption see page 36.

## Sound business ethics

Trelleborg's Code of Conduct and training in this for all employees contains specific sections dealing with competition issues. Additionally, the Group has a specific program regarding competition law issues (Trelleborg Competition Law Compliance Program), which includes communication of the Group's clearly formulated policies, training, e-learning on the intranet and a newsletter.

Furthermore, the Group has a general whistleblower policy that can be utilized by all employees in respect of suspected improprieties.

The Group's General Counsel also functions as Compliance Officer, responsible for implementing, supporting and developing the Group's action program in the area of competition. The program, which is monitored and reported back to the Board, includes a review of agreements in particularly vulnerable environments, legal reviews of subsidiaries and a review of trade organizations.

In addition, the program focuses on ensuring that everyone in the organization understands how competition law works, what is legal/illegal and that cartel behavior is entirely unacceptable in the Trelleborg Group. All new managers must

## Trelleborg's solutions protect the environment and people

Sustainability is part of Trelleborg's business. The Group's polymer solutions contribute to a sustainable society by protecting people, the environment and crucial infrastructure.



### Saving the environment with renewable wind energy

A variety of components including seals for wind turbines and buoyancy modules for installations of deep-water wind farms.



### Seals for other alternative energy sources

Seals for solar cells, biofuels and fuel cell applications protect equipment, the environment and climate.



### Saving energy and the environment with protective seals

Low-friction sealing solutions conserve energy in industrial applications. Seals also prevent hazardous chemicals from leaking into the environment.



### Damps vibration for vehicles

Noise and vibration damping solutions for trains, passenger cars, trucks and other vehicles provide an improved work environment for drivers and passengers.



### Protecting people, buildings and other infrastructure

Special bearings protect bridges, tunnels and buildings from vibrations, minimize noise and prevent the risk of damage from earthquakes, for example.



### Protecting valuable forests

Specially designed forest tires are less harmful to the forest floor and minimize damage to the ground structure, young saplings and root systems.



### Recycled material protects in extreme environments

Marine protective systems for extreme environments are manufactured out of recycled material and are themselves recycled at the end of their service life.



### Environmentally-friendly printing blankets

A new generation of recyclable printing blankets also provides other environmental and work environment benefits including reduced consumption of solvents and energy in the manufacturing process.

# Responsibility for society and the community

Trelleborg's ambition is to contribute to global development by supporting the local communities in which it conducts operations.

## 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, which also takes the form of sponsorship of disabled children, scouts, preschools and festivals.

Trelleborg does not sponsor political or religious organizations. Trelleborg's sponsorship guidelines state that sponsorship measures that benefit society and the regions in which we operate are prioritized. Sponsorship must support Trelleborg's values and strengthen its relationships with customers and other partners.

In the area of education, Trelleborg cooperates with several universities and schools, which involves regular contacts with researchers and students. Trelleborg's cooperative partners include Université de Nantes, France, Fachhochschule Koblenz, Germany, LUISS and Tor Vergata, Italy, Kettering University in Michigan, USA, Malta University, Malta and

the International Institute for Industrial Environmental Economics 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 "learning partnership" with Lund University School of Economics and Management, involving the sponsorship of two postgraduate appointments.

## Communication

One of the company's central communication goals is to contribute to Trelleborg acting as a good corporate citizen and, in line with this, communicate a relevant image of operations in this regard. Trelleborg's communication is regulated by the company's Communications Policy, which encompasses communication rules for the entire organization, including with the stock market. Communication must conform to applicable legislation, regulations and standards, be characterized by a close relationship with the company's stakeholders and be founded on regular contact, clarity and good ethics.

Trelleborg's Group-wide policy for employee participation in social media is based on the same fundamental values as other communication, and the policy regulates ethical behavior and focuses on those who represent the company in such channels as blogs and social networking.

## Trelleborg and Save the Children



Cooperation extending over a number of years with Save the Children comprises yearly support, and forms part of Trelleborg's ambition to assume an increased global social responsibility by contributing to children's development and education. Trelleborg supports Save the Children's "Rewrite the future" program, which is a global initiative focused on securing education for children in conflict-affected countries.

## Trelleborg stimulates diversity in Swedish business



Rosengård Invest, based in Malmö, is an investment company that was founded in spring 2009 by Trelleborg AB together with E.ON, Swedbank and Scandinavian Cap AB. The company focuses on raising venture capital for entrepreneurs who do not have a Swedish background and invests in new and existing companies in the Swedish market. Rosengård Invest aims, on a commercial basis, to contribute to greater integration, help create more jobs and improve the use of the resource represented by entrepreneurs who do not have an Swedish background.

## Trelleborg and sport



The football team, Trelleborgs FF, has been sponsored for many years by the Trelleborg Group. In 2010, the team finished the season in fifth place in the Premier Division of the Swedish Football League. Additionally, Trelleborg primarily supports youth sports and a number of youth teams in sports including handball and ice hockey.

## Created and distributed value, environmental and health and safety related investments and costs

Trelleborg's operations generate a financial value that, to a great extent, is distributed among various groups of stakeholders, such as suppliers of goods and services, employees, shareholders, banks and other creditors, and to society in the form of taxes. The figures below relate to continuing operations for both 2009 and 2010. In 2010, the Group generated SEK 27,196 (24,797) M, of which SEK 24,795 (23,587) M was distributed among various groups of stakeholders, as shown in the diagram and specification below.

### Distributed value 2010

**Suppliers:** Payment for material and services SEK 16,647 (15,505) M, Note 8

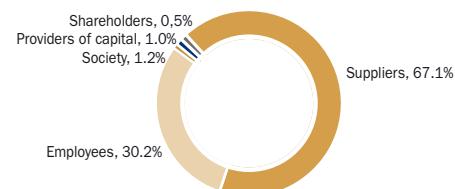
**Employees:** Salaries and benefits SEK 7,480 (7,407) M, Note 8.

**Shareholders:** Dividend paid in 2010 SEK 136 (0) M. Long-term dividend policy: 30-50 percent of net profit for the year, page 105.

**Creditors:** Interest expenses SEK 236 (411) M, Note 11.

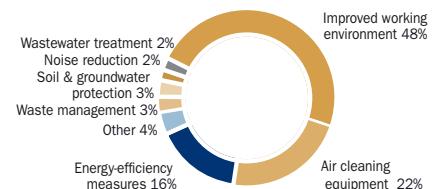
**Society:** Taxes paid SEK 294 (264) M, page 72.

### Distributed value 2010

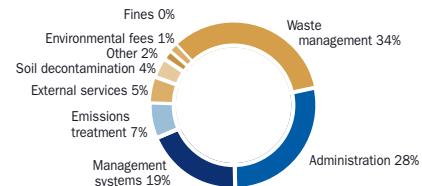


In 2010, a total of SEK 64 (70) M was invested in environmental, health and safety improvement measures. Environmental, health and safety costs amounted to SEK 134 (145) M. At the same time, environmental improvement measures generated cost savings of SEK 10 (35) M.

### Distribution of environment, health and safety-related investments



### Distribution of environment, health and safety-related expenses





### Trelleborg participated in SIFE activities in China

Trelleborg is a principal sponsor of SIFE (Students in Free Enterprise) in China. During April to May 2010, SIFE, which is a global non-profit organization active in over 40 countries, arranged a number of events in China focused on innovation and the common good. These include competitions for which Trelleborg representatives acted as jury members. Similar activities in which SIFE's student team initiates projects for local development are held worldwide.



### Preschool for children in need in Sri Lanka

Child Action Lanka planned a child project in Kelaniya, near Trelleborg's facility in Sri Lanka. Trelleborg was looking for a suitable project to support in memory of Antonio Bianchi, an employee who passed away. The result was Antonio Bianchi's House, which opened in September 2010, and conducts preschool education for thirteen local children whose families would not normally have been able to afford such an opportunity. The center stands for teaching and individual support (many of the children lack stable homes), medical assistance and coaching in life skills including hygiene issues. The children go to school between 8.30 am and 12.30 pm, and are provided with breakfast and lunch. The plan is to expand operations to include even more children.



### Reduction in negative environmental impact

Trelleborg is actively working with the identification and prevention of negative environmental impact from our industrial processes. For example, the business unit, Trelleborg Offshore, has measured waste and separated known potentially hazardous substances, utilized greener material, and used biodegradable alternatives to achieve a clear reduction in the negative impact of its operations as regards hazardous waste, mercury and solvents. All in line with the aim of taking a leading position in safe environmentally clean workplaces.



### TEWC – an internal forum for dialogs

The Trelleborg European Works Council (TEWC) is a forum for open dialog and communication, which are crucial cornerstones of the relationship between leaders and employees at the Trelleborg Group. The last gathering of the forum was in May 2010 in Trelleborg, Sweden, and it consisted of 35 staff representatives from 14 European countries in addition to selected representatives of the company management. TEWC makes no decisions, but constitutes an important tool for monitoring general issues on the company's agenda and for the dissemination of Trelleborg's corporate culture.



### World Expo in Shanghai enhanced solidarity

Trelleborg's employees in China were given three separate opportunities to visit the World Expo in Shanghai that ran from May to October 2010 and had more than 73 million visitors. Approximately 20 Swedish companies exhibited at the Swedish pavilion (3.6 million visitors) and Trelleborg was one of them. A two-day training seminar was conducted comprising information and group exercises for all employees in China. This provided the company with the opportunity to focus on innovation in the company and to strengthen solidarity. Additionally, Trelleborg arrangements included customer days for more than 400 customers and special student activities.

# Index

The overview below illustrates how GRI's guidelines correspond to the various sections of Trelleborg's CR report. A complete GRI index is available at [www.trelleborg.com/cr](http://www.trelleborg.com/cr). Parentheses denote partially reported GRI indicators. In addition, the table gives a general overview of the link to the UN Global Compact, to which Trelleborg is a signatory, and the connection to the ISO 26000 standard, which has not yet been applied in its entirety to Trelleborg. 

	<b>GRI indicators</b>	<b>Pages in Annual Report</b>	<b>Connection to principles in UN Global Compact</b>	<b>Connection with ISO 26000</b>
Management approach and controls	Governance (EC), EN, LA, SO, HR, PR	16-21, 48-51, 53-54, 62		6.2
CEO's comments	1.1	2-3, 6-7, 52		6.2
Sustainability audit, sustainability-related impacts, risks and opportunities	1.2	34-35, 52, 54, web		6.2
Profile of organization	2.1-2.10	Cover, 1, 14-15, 19, 24, 26, 28, 30, 55, 58, 75, 85-86, 90, 95, 105, 110-113	1-10	
Report parameters, scope and boundary of the report	3.1-3.11	52-53, 55, 110		
Index for GRI, Global Compact & ISO 26000	3.12	64		
Assurance	3.13	52, 65		6.2, 7.5.3
Governance of sustainability activities	4.1-4.9, (4.10), 4.11	16-19, 34, 40-49, 52-53, 59-60		6.2, 7.5.3
External commitments	4.12-4.13	52-53, 55, 60, 62, 64	1-10	6.2
Stakeholder dialog	4.14-4.17	55		

<b>Environment</b>				
Material	(EN1), (EN2)	57	8-9	6.5
Energy	EN3, EN4	54, 56	8	6.5
Climate impact	EN16, (EN18)	54, 56-57	7	6.5
Emissions and waste	EN20, EN22, EN23	54, 57	7-9	6.5
Transports	(EN29)	60	8	6.5, 6.6.6
Water	(EN8), (EN21)	54, 57	8-9	6.5
Biological diversity	(EN11), EN12	Web	8	6.5
Products	(PR1), PR3, (EN26)	60-61	7-9	6.5, 6.6.6, 6.7

<b>Workplace and society</b>				
Human rights	(HR2), HR3-HR7	54, 58-60	1-6	6.3, 6.4.3
Working conditions and whistleblower policy	LA1, (LA2), LA4, LA5	54, 58, 85	1, 3, 6	6.3.10, 6.4
Diversity and gender equality	(LA13)	54, 58	1, 6	6.3, 6.4
Health and safety	LA6, LA7	54, 58-59	1	6.4
Talent Management	LA10, (LA12), (EC7)	54, 59		6.4
Anticorruption and competition issues	(SO2), SO3, SO4, SO7, SO8	36, 54, 59-60, 72	10	6.6, 6.8.7
Social commitment and position statement	SO5	62	1-10	6.6, 6.8.3

<b>Economics</b>				
Socio-economic performance	EC1, EC3, EC4	62, 83, 88		6.8
Total health and safety-related and environmental expenditures and investments	EN30	62	7-9	6.5
Opportunities and risks related to climate change	(EC2)	34-36, 56-57, web	7	6.5.5
Fines and sanctions for noncompliance	EN28	57	7-9	6.5

# Assurance report

## Auditor's Report on review of Sustainability Report

### To the readers of the Trelleborg AB Annual Report

We have been engaged by the management of Trelleborg AB (publ) to review the "Corporate Responsibility" section on pages 52-65 (Sustainability Report) of the Trelleborg Annual Report for the year 2010. The Board of Directors and Executive Management team are responsible for the company's activities regarding environment, health & safety, social responsibility, and sustainable development, and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the sustainability report based on our review.

### The scope of the review

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by Far. A review consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with IASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The criteria on which our review is based are the parts of the Sustainability Reporting Guidelines G3, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the company has developed and disclosed. We consider these criteria suitable for the preparation of the Sustainability Report.

Our review has, based on an assessment of materiality and risk, included e.g. the following procedures:

- update of our knowledge and understanding of Trelleborg's organization and activities,
- assessment of suitability and application of the criteria regarding the stakeholders' need for information,
- assessment of the outcome of the company's stakeholder dialogue,
- interviews with management at group level and at selected business units in order to assess if the qualitative and quantitative information stated in the Sustainability Report is complete, accurate and sufficient,
- examination of internal and external documents in order to assess if the information stated in the Sustainability Report is complete, accurate and sufficient,
- evaluation of the design of systems and processes used to obtain, manage and validate sustainability information,
- analytical procedures of the information stated in the Sustainability Report,
- assessment of the company's declared application level according to the GRI guidelines,
- assessment of the overall impression of the Sustainability Report, and its format, taking into consideration the consistency of the stated information with applicable criteria,

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the information in the Trelleborg "Corporate Responsibility" section of the Annual Report has not, in all material respects, been prepared in accordance with the above stated criteria.

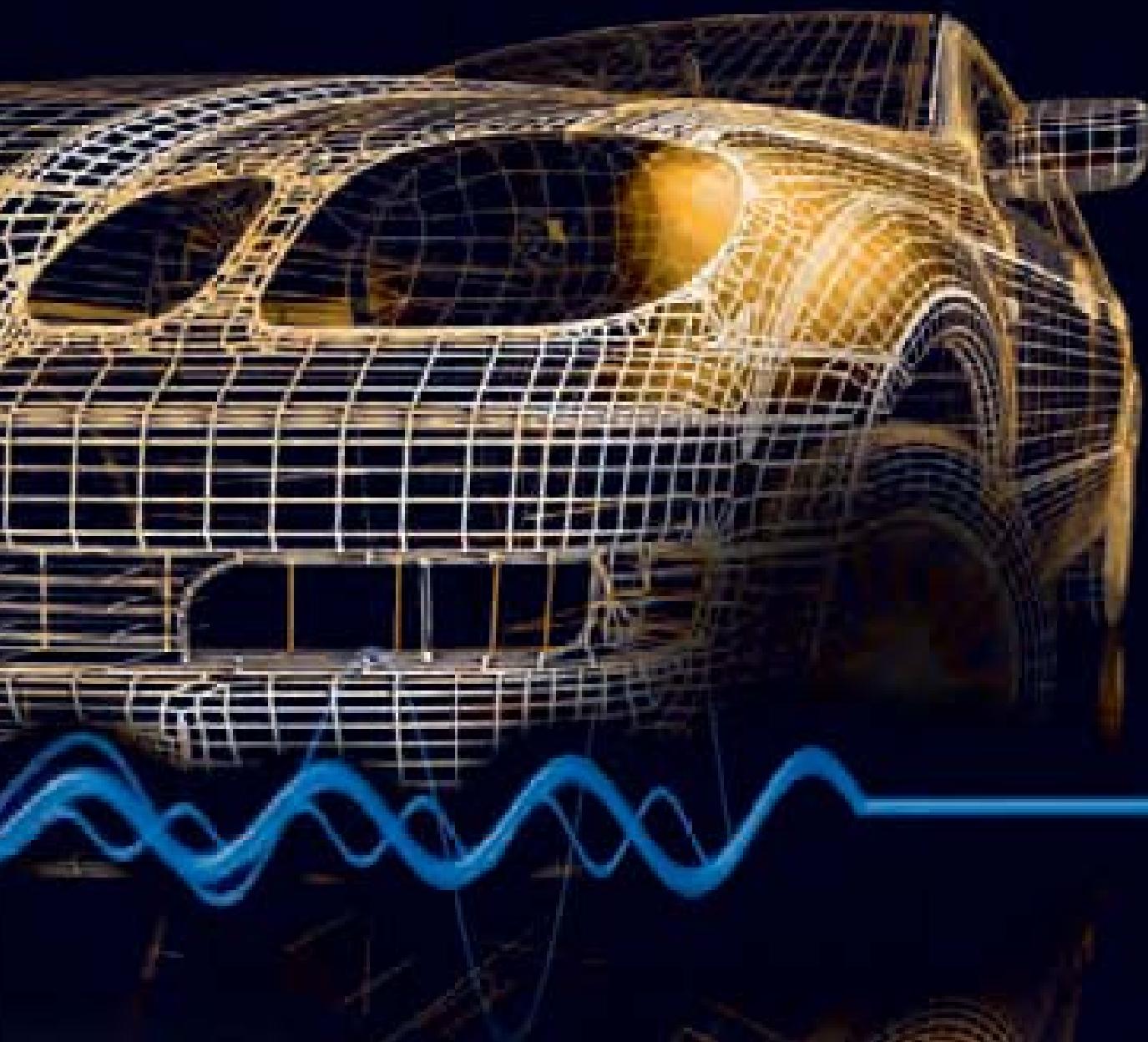
Trelleborg, 15 February 2011  
PricewaterhouseCoopers AB



Eric Salander  
Authorised Public Accountant



Fredrik Ljungdahl  
Expert Member of Far



Some call it acoustic perfection.  
**We call it Trelleborg.**

► **Sounds of silence.** Energy efficiency is a growing issue for vehicle manufacturers worldwide. However, maximizing combustion efficiency and lowering carbon emissions means new noise problems. Trelleborg's patented damping material enables the next generation engines to be cleaner and run more smoothly and quietly.



Comments on the consolidated income statements .....	68
Consolidated income statements .....	69
Comments on the consolidated balance sheets.....	74
Consolidated balance sheets .....	75
Comments on the consolidated cash-flow statements ..	77
Consolidated cash-flow statements.....	78
Note 1 Summary of important accounting policies .....	79
Note 2 Segment reporting.....	84
Note 3 Employees and employee benefits .....	85
Note 4 Auditors' remuneration .....	87
Note 5 Items affecting comparability.....	87
Note 6 Other operating income and expenses .....	87
Note 7 Share of profit or loss in associated companies.	87
Note 8 Expenses by nature .....	87
Note 9 Exchange-rate differences that impact operating profit.....	88
Note 10 Government grants .....	88
Note 11 Financial income and expenses.....	88
Note 12 Income tax.....	88
Note 13 Non-controlling interests .....	88
Note 14 Property, plant and equipment (PPE) .....	88
Note 15 Intangible assets.....	89
Note 16 Financial non-current assets.....	90
Note 17 Parent Company and Group holdings of shares and participations in Group companies .....	90
Note 18 Deferred tax assets/tax liabilities.....	91
Note 19 Inventories.....	91
Note 20 Current operating receivables.....	91
Note 21 Prepaid expenses and accrued income .....	91
Note 22 Interest-bearing receivables.....	92
Note 23 Financial derivative instruments .....	92
Note 24 Cash and cash equivalents .....	92
Note 25 Assets and liabilities held for sale and discontinued operations .....	92
Note 26 Equity .....	92
Note 27 Interest-bearing liabilities .....	93
Note 28 Financial risk management.....	93
Note 29 Financial instrument by category and measurement level.....	94
Note 30 Noninterest-bearing liabilities .....	94
Note 31 Pension provisions and similar items .....	94
Note 32 Other provisions .....	95
Note 33 Accrued expenses and prepaid income .....	95
Note 34 Contingent liabilities and pledged assets .....	95
Note 35 Acquisitions and divestments .....	95
Note 36 Events after the balance-sheet date.....	95
Parent Company, income statements and cash-flow statements .....	96
Parent Company, balance sheets .....	97
Change in equity .....	97
Notes on the Parent Company financial statements .....	98
Proposed treatment of unappropriated earnings .....	101
Audit report .....	102
Ten-year overview .....	103
The Trelleborg share .....	104

# Comments on the consolidated income statements

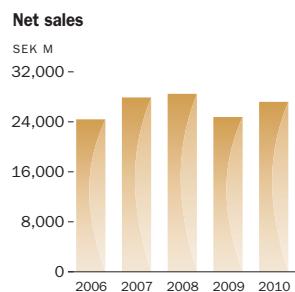
The Group's market situation improved during the year compared with the preceding year and demand was favorable in most of Trelleborg's segments. Organic growth during the year was 17 percent. In 2010, the Group improved its market position, continued its shift toward growing and profitable segments and continued to build on an ever-stronger and more efficient Trelleborg.

Following the turbulent developments that marked 2009, the Group experienced strong organic growth in most segments during the year. Trelleborg's sales of input goods to industry were significantly higher than in 2009. Sales to the light vehicles industry were also considerably higher. Demand in the project-related segments of offshore oil/gas and infrastructure was more varied. During the first half of the year, sales to the agricultural sector were lower than in the corresponding period in 2009, but demand grew in the latter part of the year.

Compared with 2009, all business areas improved their operating earnings with the exception of Trelleborg Wheel Systems. This was largely due to the positive sales development, but also derived from positive effects from implemented structural measures and effects from the capacity and cost adaptations carried out during the financial turbulence in 2008-2009. The weak demand in the early part of the year impacted Trelleborg Wheel Systems to the extent that its operating earnings did not reach 2009 levels. Prices of raw materials were extremely volatile during year and increased particularly much in the latter part of the year, thus negatively impacting the Group's earnings.

Work related to the previously announced actions programs continued in 2010. Most of major projects have now largely been completed. Two new large projects were initiated during 2010 including a focusing of operations in Skellefteå and Forsheda, and consolidation of parts of Trelleborg Automotive's business in Germany. A total of SEK 250 m relating to these action programs was charged against the Group's total operating profit for the year.

As part of the strategy to further focus the operation to selected segments, the hoses for light vehicles operation (Fluid Solutions), formerly part of Trelleborg Automotive, was divested. In addition, an agreement was signed covering the sale of the roofing operation (Waterproofing), formerly part of Trelleborg Engineered Systems. The divestment was completed in January 2011.



## Net sales by business area

SEK M	2010	2009	Organic growth, %	Structural changes, %	Exchange-rate fluctuations, %	Total change, %
Trelleborg Engineered Systems	10,053	10,249	5		-7	-2
Trelleborg Automotive	8,560	7,031	29		-7	22
Trelleborg Sealing Solutions	5,783	4,673	33		-9	24
Trelleborg Wheel Systems	2,990	2,991	7		-7	0
Eliminations	-190	-175				
<b>Continuing operations</b>	<b>27,196</b>	<b>24,769</b>	<b>+17</b>	<b>0</b>	<b>-7</b>	<b>+10</b>

## Net sales

The Group's net sales amounted to SEK 28,778 m (27,059).

Operations reported as discontinued during the year included the units in the sub-segments hoses for light vehicles (divestment completed in mid-2010) and roofing, where an agreement covering the divestment was signed during the fourth quarter. For further information, see the section "Discontinued operations". Sales for these operations totaled SEK 1,582 m (2,290).

For the Group's continuing operations, sales increased 10 percent in 2010 to SEK 27,196 m (24,769). Organic growth was 17 percent. Exchange-rate effects were a negative 7 percent and effects of structural changes were 0 percent. No major acquisitions were carried out during the year that impacted net sales.

Compared with 2009, sales – translated into SEK – increased for Trelleborg Automotive and Trelleborg Sealing Solutions, while a decline was noted for Trelleborg Engineered Systems. For Trelleborg Wheel Systems, sales remained on a par with the preceding year.

The market conditions between the Group's segments varied over the course of the year. Demand for capital goods was strong throughout the year, which positively impacted most of the Group's segments. The total order level for project-related operations, for example, the offshore oil/gas and infrastructure areas, fluctuated considerably during the year, both in sub-segments and markets. Demand in the automotive industry was strong, with a sharp improvement compared with 2009, particularly during the first six months of the year. However, a slight weakening of this trend was noted in the second half of the year. Although demand was weak in the agricultural sector, particularly in the first half of the year, an improvement was observed in the second half. Trelleborg normally experiences certain seasonal variations in its sales, which tend to be slightly higher in the first six months of the year. In 2010, the distribution shifted, meaning that the second half of the year was slightly stronger, if exchange-rate effects are excluded. The Group's market positions were generally retained or improved during the year.

## 2010 net sales for continuing operations compared with 2009:

	Change, %
Organic growth	+17
Structural changes	0
Exchange-rate fluctuations	-7
<b>Total</b>	<b>+10</b>

# Consolidated income statements

SEK M	Note	2010	2009
<b>Continuing operations:</b>			
<b>Net sales</b>	2	27,196	24,769
Cost of goods sold		-19,897	-18,663
<b>Gross profit</b>		<b>7,299</b>	<b>6,106</b>
Selling expenses		-2,124	-2,217
Administrative expenses		-2,490	-2,428
Research & development costs		-577	-566
Other operating income	6	302	280
Other operating expenses	6	-388	-448
Share of profit or loss in associated companies	7	14	7
<b>Operating profit</b>	3,4,5,8,9,10	<b>2,036</b>	<b>734</b>
Financial income	11	18	21
Financial expenses	11	-236	-411
<b>Profit before tax</b>		<b>1,818</b>	<b>344</b>
Tax	12	-534	59
<b>Net profit</b>		<b>1,284</b>	<b>403</b>
<b>Discontinued operations:</b>			
<b>Net sales</b>	25	<b>1,582</b>	<b>2,290</b>
<b>Operating profit/loss</b>		<b>-84</b>	<b>39</b>
<b>Profit/loss before tax</b>		<b>-86</b>	<b>25</b>
<b>Net profit/loss</b>		<b>-101</b>	<b>16</b>
<b>Group:</b>			
<b>Total net sales</b>		<b>28,778</b>	<b>27,059</b>
<b>Total operating profit</b>		<b>1,952</b>	<b>773</b>
<b>Total profit before tax</b>		<b>1,732</b>	<b>369</b>
<b>Total net profit</b>		<b>1,183</b>	<b>419</b>
Attributable to:			
- shareholders of the Parent Company		1,162	409
- non-controlling interests	13	21	10
<b>Earnings per share, SEK</b>		<b>2010</b>	<b>2009</b>
Continuing operations:			
Earnings		4.65	1.65
Diluted earnings		4.65	1.65
Earnings, excluding items affecting comparability <sup>1)</sup>		5.35	2.70
Total:			
Earnings		4.30	1.70
Diluted earnings		4.30	1.70
Dividend <sup>2)</sup>		1.75	0.50
<b>Number of shares<sup>3)</sup></b>			
Average		271,071,783	240,699,594
Average, after dilution		271,071,783	240,699,594
<sup>1)</sup> Net earnings have been adjusted for items affecting comparability, SEK M		-190	-252
<sup>2)</sup> As proposed by the Board of Directors and the President			
<sup>3)</sup> The average number of shares has been adjusted in accordance with the standard in IAS 33. This calculation was applied to all key figures in the report that contain the number of shares.			
<b>Statements of comprehensive income</b>			
SEK M		2010	2009
<b>Profit for the period</b>		<b>1,183</b>	<b>419</b>
<b>Other comprehensive income</b>			
Cash-flow hedges		24	86
Hedging of net investment		892	446
Translation differences <sup>4)</sup>		-1,890	-762
Income tax relating to components of other comprehensive income		-235	-160
<b>Other comprehensive income, net of tax</b>		<b>-1,209</b>	<b>-390</b>
<b>Total comprehensive income</b>		<b>-26</b>	<b>29</b>
<b>Total comprehensive income attributable to:</b>			
Shareholders of the Parent Company		-43	18
Non-controlling interests		17	11
<sup>4)</sup> of which discontinued operations		-14	-9

Trelleborg Engineered Systems' organic sales increased by 5 percent during the year, while demand fluctuated in the business area's various market segments. Demand in general industry was favorable during much of the year while in the project-related segments, infrastructure and offshore oil/gas, demand improved gradually.

For Trelleborg Automotive, organic growth increased 29 percent compared with the preceding year. Demand was strong during much of the year in all geographic markets, while growth slowed in Western Europe in the latter half of the year due to a decline in public stimulus programs. The business area continued to strengthen its market positions during the year.

Compared with 2009, the trend for Trelleborg Sealing Solutions was highly positive in all segments and markets. Demand increased significantly in general industry and was strong in the light vehicles industry, while the aerospace industry displayed a steady improvement during the year. Organic growth amounted to 33 percent.

Trelleborg Wheel Systems recorded organic growth of 7 percent. Demand for industrial tires increased sharply during 2010. For agricultural tires, demand declined in the early part of the year to improve slightly in the second half of the year. The business area continued to improve its market positions in the sub-segments for large agricultural tires.

#### Net sales per market

Western Europe remained the Trelleborg Group's largest market with a 52-percent share of total sales. During the year, the Group further strengthened its presence in the new emerging markets. The share of sales to markets outside Western Europe and North America rose from 25 percent in 2009 to 28 percent in 2010. Sales rose in such countries as China, Brazil, India and South Korea, which is in line with the investments made in these markets.

To further improve the Group's presence in emerging markets and prioritized segments, Trelleborg Engineered Systems initiated an investment in a new facility for products and solutions for oil/gas extraction in Brazil. The facility will be situated to the north of Rio de Janeiro, where essentially all major project companies have their facilities. In India, Trelleborg Engineered Systems has decided to establish new operations in Bangalore to better capitalize on the growth in the country, primarily among customers in infrastructure for the telecom sector and industrial antivibration. The operations are expected to commence in the third quarter of 2011 and will initially have approximately 70 employees.

Trelleborg Automotive has strengthened its position as the most global company in antivibration products for light vehicles by launching its own production in Nizhny Novgorod, Russia. In China, Trelleborg Automotive also established a new R&D center in Shanghai with the aim of offering the region state-of-the-art technology mainly involving noise and vibration-damping brake solutions for light vehicles; a field in which Trelleborg is a global leader.

In India, Trelleborg Sealing Solutions decided to establish a new, modern unit in Bangalore, which is scheduled for completion at the end of 2011 and will initially result in the recruiting of about 200 employees.

#### Net sales per geographic market

SEK M	2010	2009
Western Europe	14,243	13,704
North America	5,389	4,940
Rest of World	7,564	6,125
<b>Continuing operations</b>	<b>27,196</b>	<b>24,769</b>
Discontinued operations	1,582	2,290
<b>Trelleborg Group</b>	<b>28,778</b>	<b>27,059</b>

Continuing operations	Growth 2010, %	Share of total sales, %
Western Europe	4	52
North America	9	20
Rest of World	23	28
<b>Total</b>		<b>100</b>

#### Profit

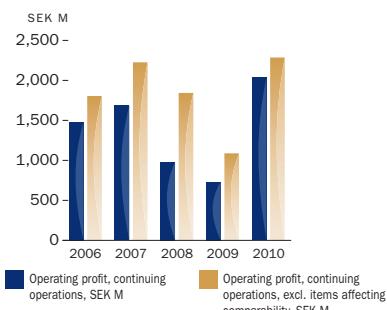
Operating profit for the Group amounted to SEK 1,952 M (773). Movements in exchange rates, including translation of the results of foreign group companies, had a negative impact of about SEK 98 M on operating profit compared with the preceding year (pos: 57). The Group's financial net amounted to an expense of SEK 220 M (expense: 404). Profit before tax was SEK 1,732 M (369). The tax cost for the year totaled SEK 549 M (income: 50). Net profit was SEK 1,183 M (419) and earnings per share were SEK 4.30 (1.70).

The Group's discontinued operations recorded an operating loss of SEK 84 M (profit: 39).

Operating profit for the Group's continuing operations totaled SEK 2,036 M (734). Movements in exchange rates when translating the results of foreign group companies had a negative impact of about SEK 122 M on operating profit compared with the year-earlier period (pos: 65).

The financial net for continuing operations amounted to an expense of SEK 218 M (expense: 390), corresponding to an average interest rate of 2.8 percent (3.7). Profit before tax totaled SEK 1,818 M (344). The tax cost for the year was SEK 534 M (income: 59) and the tax rate for the year was 29 percent. In 2009, tax was impacted by a number of positive effects, such as the mix of countries, capitalization of loss carryforwards in Germany and the UK and a favorable ruling in a tax dispute in Sweden. Net profit amounted to SEK 1,284 M (403) and earnings per share were SEK 4.65 (1.65).

#### Operating profit



### Operating profit

In addition to discontinued operations, restructuring costs and impairment losses resulting from action programs were excluded in the recognition of the Group's operating key figures. For continuing operations, these negatively impacted operating profit by a total amount of SEK 250 M (neg: 354) before tax, and by SEK 190 M (neg: 252) after tax. For further information, see the section "Items affecting comparability".

Excluding items affecting comparability, operating profit for continuing operations amounted to SEK 2,286 M (1,088). Trelleborg Engineered Systems improved its earnings compared with the preceding year mainly as a result of positive effects from implemented structural measures and other capacity and cost adjustments. Trelleborg Automotive and Trelleborg Sealing Solutions recorded a significant improvement in operating profit compared with 2009, which was attributable to significantly higher volume and positive effects from capacity and cost adjustments. Trelleborg Wheel Systems' earnings were slightly lower than in the preceding year mainly as a result of currency translation effects. Earnings were also impacted by lower sales of agricultural tires, particularly in the first half of the year.

Movements in exchange rates when translating the results of foreign group companies had a negative impact of about SEK 143 M on operating profit compared with 2009 (pos: 69).

### Operating profit, continuing operations

SEK M	2010	2009
<i>Excluding items affecting comparability</i>		
Trelleborg Engineered Systems	850	636
Trelleborg Automotive	529	34
Trelleborg Sealing Solutions	876	280
Trelleborg Wheel Systems	263	283
Other companies	-11	-8
Group items	-221	-137
<b>Operating profit, excl. items affecting comparability</b>	<b>2,286</b>	<b>1,088</b>
<i>Items affecting comparability</i>		
Trelleborg Engineered Systems	-131	-163
Trelleborg Automotive	-77	-23
Trelleborg Sealing Solutions	-22	-152
Trelleborg Wheel Systems	-16	-16
Other	-4	-
<b>Total items affecting comparability</b>	<b>-250</b>	<b>-354</b>
<b>Operating profit, incl. items affecting comparability</b>	<b>2,036</b>	<b>734</b>

### Continuing operations, excluding items affecting comparability

SEK M	2010	2009
Net sales	27,196	24,769
EBITDA	3,304	2,173
Operating profit	2,286	1,088
Profit before tax	2,068	698
Net profit	1,474	655

The operating margin was 8.4 percent (4.4). As a result of an improved structure combined with cost savings and increased volumes, the EBITDA margin in 2010 was in line with the Group's target of  $\geq 12$  percent and amounted to 12.1 percent (8.7).

The Group has an increasingly concentrated and profitable opera-

tion in demanding industrial segments. During the year, Trelleborg also increased the pace to further strengthen its presence in growing geographical markets, while efforts to create a more efficient structure continued. In general terms, the previously announced actions programs in the Group continued to yield positive effects through more efficient structures and lower costs. Rising raw-material prices adversely impacted earnings during the year.

The strategy pursued by the Trelleborg Engineered Systems business area in order to create a structure for profitable growth yielded results during the year. Improving positions in such selected segments as offshore oil/gas, infrastructure and certain segments of general industry played a key role during the year. The business area continues to focus on portfolio management and geographic expansion and its activities in recent years have included the opening of three new production facilities in China. A new investment in the oil/gas industry in Brazil is also an indication of the business area's priorities.

During the year, the Trelleborg Automotive business area continued its efforts to further strengthen its positions in antivibration and damping solutions for vehicles. In 2010, the business area divested the operation for hoses in light vehicles (Fluid Solutions), thus taking another large step toward intensifying its focus on NVH solutions (Noise, Vibration, Harshness). Trelleborg Automotive continued to gain strength in emerging markets and expanded its presence in BRIC countries and Eastern Europe, among others, during the year.

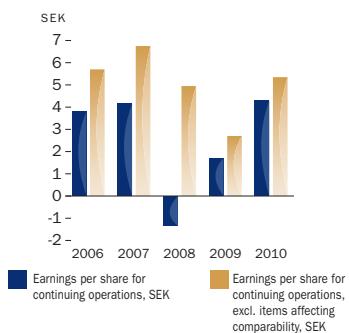
Profitability of the Trelleborg Sealing Solutions business area has increased sharply in recent years as a result of the extensive measures to increase efficiency and adapt the production structure, which yielded a favorable impact on earnings when volumes increased. At present, profitability is back at the same level as in 2008, despite lower volumes. To take advantage of this upswing in expanding markets, the business area has increased its presence in markets in Eastern European, South America and Asia. A continued consolidation and geographical shift is also taking place with respect to production facilities and a platform for long-term growth was created in India, China and Brazil. The business area has systematically developed and increased customer interaction via digital media.

The Trelleborg Wheel Systems business area has successfully developed a strong position in both high-performance agricultural and industrial tires. In recent years, the business area has enhanced the efficiency of its production structure, enabling increased volumes to grow into a more efficient structure.

Costs for research and development, including capitalization of SEK 26 M (41), amounted to SEK 487 M (482) during the year. Depreciation and impairment of capitalized development expenditure amounted to SEK 94 M (98). See page 20 for more detail.

Profit before tax totaled SEK 2,068 M (698). The Group's tax rate was 29 percent (6). Net profit amounted to SEK 1,474 M (655). Earnings per share were SEK 5.35 (2.70).

### Earnings per share



**Items affecting comparability of SEK 250 M were charged to operating profit, with the following breakdown:**

SEK M	2010	2009
Cost of goods sold	-30	-45
Administrative expenses	-43	-43
Other operating costs	-177	-266
<b>Continuing operations</b>	<b>-250</b>	<b>-354</b>

**Action programs in the business areas**

Work on the action programs announced earlier continued during the year. The total cost of these programs, an amount of SEK 250 M (354), was charged to earnings.

At the Trelleborg Engineered Systems business area, the project aimed at concentrating the number of production units in Sweden, the UK and Estonia continued and is now in the end phase. The optimization of printing blanket manufacturing in Europe has also essentially been concluded. In total, operating profit has been charged with SEK 131 M (163) for these measures in the business area.

At the Trelleborg Automotive business area, efforts were initiated to consolidate parts of the operation in Germany. Of costs for the year in the business area, which totaled SEK 77 M (23), the major part related to this project.

During the year, the Trelleborg Sealing Solutions business area completed the projects in Italy, the UK, the US and Poland that it announced in 2009. Trade union consultations commenced at the operations in Skellefteå and in Forsheda, Sweden, concerning the focusing of production. Although this project was launched in 2010, it will continue in 2011 and will not be concluded until some way into 2012. Moving forward, the project will also include units in the Trelleborg Engineered Systems business area. The cost of the project is expected to total about SEK 100 M, of which SEK 5 M was charged to 2010. In total, operating profit in the Trelleborg Sealing Solutions business area was charged with SEK 22 M (152).

At Trelleborg Wheel Systems, the consolidation of industrial tires to Sri Lanka gave rise to some costs for the business area, which were charged in the amount of SEK 16 M (16).

**Costs for restructuring programs**

SEK M	2010	2009
<i>Continuing operations</i>		
Trelleborg Engineered Systems	131	163
Trelleborg Automotive	77	23
Trelleborg Sealing Solutions	22	152
Trelleborg Wheel Systems	16	16
Other	4	-
<b>Total before tax</b>	<b>250</b>	<b>354</b>
<b>Total after tax</b>	<b>190</b>	<b>252</b>

**Discontinued operations**

**Operation for hoses for light vehicles**

During the year, Trelleborg divested its hoses for light vehicles operation, Fluid Solutions, formerly part of the Trelleborg Automotive business area. The purchaser is Bavaria Industriekapital AG, whose registered office is in Munich, Germany. The divestment is a further step in the strategy to focus Trelleborg's operations to selected segments. The transaction further concentrates the automotive-related operations. Trelleborg Automotive will now put even more effort into strengthening its world-leading position in noise and vibration-damping solutions for the automotive industry. Fluid Solutions has approximately 1,900 employees and operations in France, Italy, Poland, Slovakia, Spain, the Czech Republic, Turkey and Germany. Fluid Solutions manufactures such components as hoses for engine-cooling and air-supply solutions, mainly for light vehicles. The operations had sales of approximately SEK 1,400 M in 2009 and recorded a loss.

**Roofing operation**

During 2010, Trelleborg entered into an agreement to divest its roofing operations, which are included in the Trelleborg Engineered Systems business area. The purchaser is Axcel, a Nordic private equity fund. The divestment is a further step in Trelleborg's strategy to focus on selected segments. The divested operation has annual sales of approximately SEK 900 M and about 230 employees. The agreement covering the divestment was entered into in the fourth quarter of 2010 and was concluded on January 31, 2011.

**Competition investigations into subsidiaries**

Trelleborg's subsidiaries in France and the US have in recent years been the subject of investigations conducted by the competition authorities in the US, the EU, Brazil and Australia regarding certain types of marine oil hoses and marine fenders. The decision announced by the European Commission in 2009 was appealed by Trelleborg in the same year. Trelleborg continues to await the European Court of Justice's decision. Future developments with respect to this issue continue to be associated with an element of uncertainty related to the length and outcome of ongoing processes.

**Events after the reporting period**

Trelleborg and Freudenberg signed a letter of intent to form a 50/50 joint venture within antivibration solutions for light and heavy vehicles. The new company will consist of Trelleborg Automotive's antivibration solutions operations and Freudenberg's corresponding activities Vibracoustic. Total annual sales are estimated at approximately SEK 1.2 billion, with 8,100 employees in 17 countries.

This joint venture will form a global leader and a strong partner for the company's customers, thus creating a platform for accelerated development and future growth. The companies' customer portfolios complement each other very well and Trelleborg's broad geographical presence is complemented by Freudenberg's product portfolio. The part of Trelleborg Automotive that will be included in the joint venture relates to the antivibration business for light and heavy vehicles, which accounts for about 75 percent of sales in Trelleborg Automotive and has annual sales of approximately SEK 6,300 M and about 5,200 employees. Trelleborg Automotive's operations outside the area of antivibration are not affected. Due diligence and the contract process commenced in 2011. The transaction is conditional upon the fulfillment of certain conditions and approval by relevant competition authorities. The formation of the joint venture is expected to take place during 2011.

**Market outlook for the first quarter of 2011.**

Outlook for the first quarter of 2011, provided in the Year-End Report on February 15, 2011: "Overall, demand is expected to remain in line with or be slightly better than the fourth quarter of 2010, adjusted for seasonal variations".

**Income statement per quarter****Continuing operations, excluding items affecting comparability**

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	6,556	6,385	7,187	6,232	6,601	5,967	6,852	6,185
EBITDA	771	368	955	519	817	636	761	650
Operating profit	515	91	694	245	559	368	518	384
Profit/loss before tax	446	-40	644	141	503	283	475	314
Net profit	329	131	454	128	365	224	326	172

**Group, total**

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2010	2009	2010	2009	2010	2009	2010	2009
Net sales	7,054	6,877	7,814	6,868	6,865	6,559	7,045	6,755
Operating profit	501	46	483	159	545	371	423	197
Profit/loss before tax	431	-93	434	46	487	288	380	128
Net profit	292	65	274	46	355	216	262	92

# Comments on the consolidated balance sheets

The Group's capital employed decreased to SEK 18,091 M (19,755), a decline of SEK 1,664 M, or 8 percent.

## Capital employed is specified as follows:

SEK M	2010	2009
Inventories	3,433	3,212
Operating receivables	5,094	4,866
Operating liabilities	-6,372	-6,282
<b>Working capital, continuing operations</b>	<b>2,155</b>	<b>1,796</b>
Non-current assets	15,589	17,319
Participations in associated companies	41	55
<b>Capital employed, continuing operations</b>	<b>17,785</b>	<b>19,170</b>
Discontinued operations	-	256
Capital employed in assets held for sale	306	329
<b>Capital employed in the Trelleborg Group</b>	<b>18,091</b>	<b>19,755</b>

The decline for the year of SEK 1,664 was attributable to:

SEK M	2010
Company acquisitions	165
Discontinued operations	-411
Change in working capital and non-current assets	341
Change in participations in associated companies	-24
Translation differences on foreign subsidiaries	-1,735
<b>Total change in capital employed</b>	<b>-1,664</b>

The level of tied-up working capital in the remaining operations increased during the year by SEK 359 M, or 20 percent. The change was due mainly to a rise in inventories and operating receivables, which was offset somewhat by higher operating liabilities. This development is the result of a sharp rise in sales. Efforts aimed at enhancing the efficiency of working capital continued in 2010 and, despite the significant rise in sales, working capital efficiency was improved during the year.

Exchange-rate differences reduced the value of property, plant and equipment and intangible assets by SEK 1,602 M.

Gross investments for the year totaled SEK 839 M (826), of which discontinued operations accounted for SEK 17 M (93). Investments for the year are distributed as follows: SEK 792 M in property, plant and equipment and SEK 47 M in intangible assets.

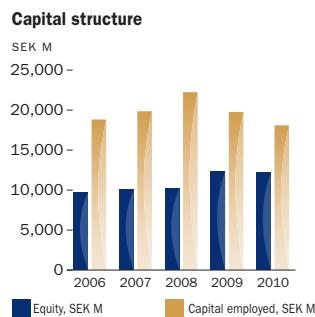
Depreciation and amortization for the year amounted to SEK 1,014 M (1,124), of which discontinued operations accounted for SEK 24 (39). Impairment losses totaled SEK 70 M (46), of which discontinued operations accounted for SEK 12 M (0) and the Group's ongoing restructuring programs for SEK 30 M.

Return on capital employed (ROCE) for the Group rose to 10.1 percent (3.6). For continuing operations excluding items affecting comparability, ROCE increased to 11.9 percent (5.1). The improved earnings generation and favorable efficiency of the management of working capital had a positive impact on return.

## Equity

Total equity declined during the year by SEK 165 M to SEK 12,196 M (12,361). Translation differences reduced total equity by a net amount of SEK 1,227, including exchange-rate differences (net after tax) on hedging instruments.

Total dividends amounted to SEK 139 M (2), of which SEK 3 M (2) was distributed to non-controlling interests.



## Change in total equity, Trelleborg Group

Total equity	Attributable to Parent Company's shareholders								Non-controlling interests	Total		
	Share capital		Other capital contributions		Other reserves		Profit brought forward					
SEK M	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Opening balance, January 1	2,620	2,259	226	226	643	1,034	8,769	6,634	103	85	12,361	10,238
Adjustment of opening balance								-9		9	-	-
Total comprehensive income					-1,205	-391	1,162	409	17	11	-26	29
Dividend							-136	-	-3	-2	-139	-2
Reduction of the share capital		-2,078						2,078			-	-
Bonus issue		2,078						-2,078			-	-
Rights issue		361						1,808			-	2,169
Transaction costs								-73			-	-73
<b>Closing balance, December 31</b>	<b>2,620</b>	<b>2,620</b>	<b>226</b>	<b>226</b>	<b>-562</b>	<b>643</b>	<b>9,795</b>	<b>8,769</b>	<b>117</b>	<b>103</b>	<b>12,196</b>	<b>12,361</b>

For other reserves, see also Note 26.

The Board of Directors and the President propose a dividend of SEK 1.75 per share (0.50), a total of SEK 474 M (136).

# Consolidated balance sheets

<b>December 31, SEK M</b>	<b>Note</b>	<b>2010</b>	<b>2009</b>
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	14	5,609	6,603
Goodwill	15	9,395	10,478
Other intangible assets	15	585	804
Shares in associated companies	7	41	73
Financial assets	16–17, 29	218	87
Deferred tax assets	18	1,038	1,460
<b>Total non-current assets</b>		<b>16,886</b>	<b>19,505</b>
Current assets			
Inventories	19	3,433	3,425
Current operating receivables	20–21	5,099	5,270
Current tax assets		498	670
Interest-bearing receivables	22	100	78
Cash and cash equivalents	24	832	591
		<b>9,962</b>	<b>10,034</b>
Assets held for sale	25	466	–
<b>Total current assets</b>		<b>10,428</b>	<b>10,034</b>
<b>TOTAL ASSETS</b>		<b>27,314</b>	<b>29,539</b>
<b>EQUITY AND LIABILITIES</b>			
Shareholders' equity	26		
Share capital		2,620	2,620
Contributions of other capital		226	226
Other reserves		–562	643
Profit brought forward		8,633	8,369
Net profit for the year		1,162	409
<b>Total</b>		<b>12,079</b>	<b>12,267</b>
Non-controlling interests	13	117	94
<b>Total equity</b>		<b>12,196</b>	<b>12,361</b>
Non-current liabilities			
Interest-bearing non-current liabilities	27	4,343	6,516
Other non-current liabilities	30	80	100
Pension provisions	31	592	806
Other provisions	32	151	401
Deferred tax liabilities	18	315	252
<b>Total non-current liabilities</b>		<b>5,481</b>	<b>8,075</b>
Current liabilities			
Interest-bearing current liabilities	27	3,162	2,529
Current tax liability		578	676
Other current liabilities	30,33	5,433	5,423
Other provisions	32	334	475
		<b>9,507</b>	<b>9,103</b>
Liabilities held for sale	25	130	–
<b>Total current liabilities</b>		<b>9,637</b>	<b>9,103</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27,314</b>	<b>29,539</b>
Contingent liabilities	34	6	11
Pledged assets	34	34	35

**Net debt**

SEK M	2010	2009
Non-current interest-bearing investments and receivables	140	7
Current interest-bearing receivables	118	78
Cash and cash equivalents	838	591
<b>Total interest-bearing assets</b>	<b>1,096</b>	<b>676</b>
Interest-bearing non-current liabilities	-4,343	-6,516
Interest-bearing current liabilities	-3,162	-2,529
<b>Total interest-bearing liabilities</b>	<b>-7,505</b>	<b>-9,045</b>
<b>Net debt</b>	<b>-6,409</b>	<b>-8,369</b>
<i>Change in net debt:</i>		
Net debt at January 1	-8,369	-12,706
Net cash flow for the year, excl. rights issue	950	1,680
Rights issue	-	2,070
Additional purchase consideration, discontinued operations	77	-
Discontinued operations	57	-
Exchange-rate differences	876	587
<b>Net debt at year-end</b>	<b>-6,409</b>	<b>-8,369</b>

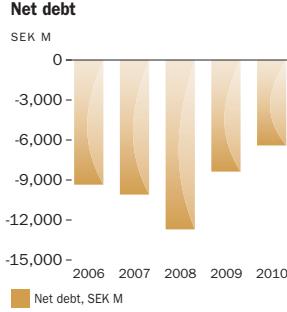
	2010	2009
Debt/equity ratio, %	53	68
Net debt/EBITDA, multiples	2.1	4.3
EBITDA/net financial income, multiples	13.5	4.7
<i>Continuing operations, excluding items affecting comparability:</i>		
Net debt/EBITDA, multiples	1.9	3.9
EBITDA/net financial income, multiples	14.8	5.5

**Net debt and financing**

The Group's net debt during the year amounted to SEK 6,409 M (8,369), a reduction of SEK 1,960 M or 23 percent. The purchase consideration for acquisitions made during the year totaled SEK 165 M. Exchange-rate differences reduced net debt by SEK 876 M. The debt/equity ratio at year-end was 53 percent (68). The net debt/EBITDA ratio amounted to 2.1 (4.3) for the entire Group.

Trelleborg has long-term basic financing that extends into 2012 through a syndicated loan. Trelleborg is working actively with the refinancing of this syndicated loan. Long-term credit facilities and other long-term loans totaled approximately SEK 14,600 M at the end of 2010. Short-term credit facilities and other short-term loans amounted to approximately SEK 4,900 M. The unutilized portion of the total credit facilities totaled about SEK 12,000 M, of which long-term credit facilities accounted for about SEK 10,300 M. During the year, Trelleborg signed an agreement with the European Investment Bank covering a credit facility for long-term loans totaling EUR 80 M. The agreement is part of Trelleborg's overriding strategy to broaden its funding base, enabling the maturity structure for a portion of the Trelleborg Group's gross debt to be improved with set maturity dates in the latter part of the current decade.

The equity/assets ratio was 45 percent (42) at year-end. At the end of the year, equity per share (271.1 million shares) totaled SEK 45 (45). Return on equity increased to 9.5 percent (3.6). For continuing operations excluding items affecting comparability, return on equity increased to 11.9 percent (5.8).



# Comments on the consolidated cash-flow statements

Consolidated operating cash flow amounted to SEK 2,190 M (3,040), a result of a significant improvement in earnings generation from operations and an increased working capital due to growth in sales. In 2009, working capital was released, thus having a positive impact on cash flow. The increased working capital during 2010 was due to an increase in inventory of SEK 471 M, an increase in accounts receivable of SEK 718 M and an increase in accounts payable of SEK 838 M. A gradual rise in the pace of investments during the year had a negative impact on cash flow. The investment level amounted to SEK 822 M (733), representing 3.0 percent (3.0) of net sales.

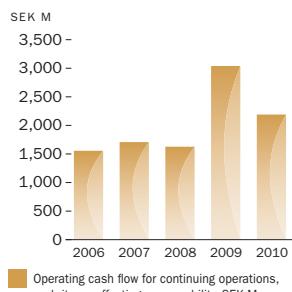
After deductions for payments pertaining to restructuring measures, dividends to minority shareholders, financial payments and taxes paid, free cash flow amounted to SEK 1,173 M (1,699), corresponding to SEK 4.35 per share (7.05).

The amount reported as acquisitions carried out during the year, SEK 165 M (63), relates to – in addition to the acquisition of Lutz Sales Inc – additional purchase considerations for acquisitions carried out earlier, while acquisitions conducted in 2009 comprised, in approximately equal parts, acquisition costs and small asset-transfer acquisitions. Transaction costs for acquisitions and divestments in 2010 were expensed.

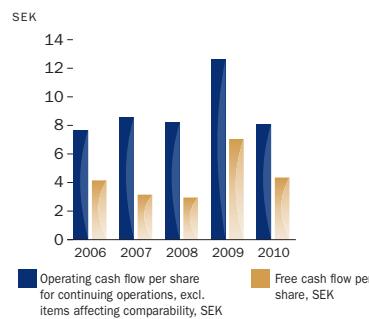
Discontinued operations, SEK 78 M (63), relate to hoses for light vehicles operation, which was divested in the second quarter of 2010, and the roofing operation, for which an agreement was signed in 2010 regarding its divestment and the sales process was concluded on January 31, 2011.

Dividend for the year to shareholders amounted to SEK 136 M (no dividend in 2009). Total net cash flow decreased to SEK 950 M (3,750).

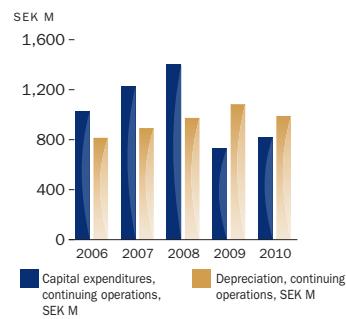
## Operating cash flow



## Cash flow per share



## Capital expenditures and depreciation



## Cash-flow report

	EBITDA excl. non-distributed shares in associated companies		Gross capital expenditures		Sold non-current assets		Change in working capital		Total cash flow	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
SEK M										
Trelleborg Engineered Systems	1,228	1,040	-254	-252	14	20	-264	710	724	1,518
Trelleborg Automotive	945	469	-278	-212	7	6	-34	187	640	450
Trelleborg Sealing Solutions	1,087	521	-180	-91	14	7	-36	346	885	783
Trelleborg Wheel Systems	371	399	-104	-176	2	3	-18	294	251	520
Other companies	-9	-7	-	0	6	-	1	-1	-2	-8
Group items	-312	-258	-6	-2	10	-	-	37	-308	-223
<b>Operating cash flow</b>	<b>3,310</b>	<b>2,164</b>	<b>-822</b>	<b>-733</b>	<b>53</b>	<b>36</b>	<b>-351</b>	<b>1,573</b>	<b>2,190</b>	<b>3,040</b>
Utilization of restructuring provisions									-414	-532
Dividend – non-controlling interests									-3	-2
Financial items									-306	-543
Tax paid									-294	-264
<b>Free cash flow</b>									<b>1,173</b>	<b>1,699</b>
Acquisitions									-165	-63
Divestments									78	44
Dividend – equity holders of the parent									-136	-
Rights issue									-	2,070
<b>Total net cash flow</b>									<b>950</b>	<b>3,750</b>

# Consolidated cash-flow statements

SEK M	Note	2010	2009
<i>Operating activities</i>			
Operating profit		2,036	734
<i>Adjustment for items not included in cash flow:</i>			
Depreciation of property, plant and equipment	14	845	919
Amortization of intangible assets	15	145	165
Impairment of property, plant and equipment	14	38	41
Impairment of intangible assets	15	20	5
Provisions for restructuring costs		220	309
Non-distributed share of profit/loss in associated companies		6	-9
		<b>3,310</b>	<b>2,164</b>
Interest received and other financial items		14	15
Interest paid and other financial items		-320	-558
Tax paid		-294	-264
<b>Cash flow from operating activities before changes in working capital</b>		<b>2,710</b>	<b>1,357</b>
<i>Cash flow from changes in working capital:</i>			
Change in inventories		-471	1,124
Change in operating receivables		-718	1,096
Change in operating liabilities		838	-647
Utilization of restructuring provisions		-414	-532
<b>Cash flow from operating activities</b>		<b>1,945</b>	<b>2,398</b>
<i>Investing activities</i>			
Acquired units	35	-165	-63
Divestments <sup>1)</sup>	35	78	44
Gross capital expenditures for property, plant and equipment	14	-776	-661
Gross capital expenditures for intangible assets	15	-46	-72
Sale of non-current assets		53	36
<b>Cash flow from investing activities</b>		<b>-856</b>	<b>-716</b>
<i>Financing activities</i>			
Rights issue		-	2,070
Change in interest-bearing investments		712	685
Change in interest-bearing liabilities		-1,387	-4,591
Dividend – equity holders of the parent		-136	-
Dividend – non-controlling interests		-3	-2
<b>Cash flow from financing activities</b>		<b>-814</b>	<b>-1,838</b>
<b>Cash flow for the year</b>		<b>275</b>	<b>-156</b>
<i>Cash and cash equivalents:</i>			
Opening balance, January 1		591	749
Reclassification to assets held for sale	25	-6	-
Exchange-rate differences		-28	-2
<b>Cash and cash equivalents, December 31</b>		<b>832</b>	<b>591</b>

<sup>1)</sup> Including cash flow in units for which agreements have been reached for divestment.

# Note 1

## General information

The Parent Company, Trelleborg AB (publ) is a limited liability company with its registered offices in Trelleborg, Sweden. The Parent Company is listed on the NASDAQ OMX Stockholm. The Board of Directors resolved to adopt these consolidated financial statements for publication on February 14, 2011.

## Summary of important accounting policies

The most important accounting policies applied in the preparation of the consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated.

## Basis of preparation

The Trelleborg Group's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, and the International Financial Reporting Standards (IFRS) and IFRIC interpretations, as approved by the EU. The Group's financial statements have been prepared in accordance with the cost method, with the exception of certain financial instruments which were valued at fair value.

In the Group's multi-year summary, data up to and including 2003 was not prepared in accordance with IFRS, but is recognized in accordance with earlier Generally Accepted Accounting policies in Sweden.

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.

## New and amended standards applied by the Group

A description of the standards and interpretations of existing standards that have been published and are mandatory for the Group for fiscal years beginning on or after January 1, 2010 is presented below. These standards and amendments have not been applied in advance. The description includes the standards and interpretations that management deemed to be relevant to the Group on the balance-sheet date.

– IAS 27 (Amendment) Consolidated and Separate Financial Statements (applicable from July 1, 2009). This revised standard requires that the effects of all transactions with non-controlling interests be recognized in shareholders' equity if they do not entail any change in the controlling influence and these transactions no longer give rise to goodwill or gains or losses. The standard also states that, when a Parent Company loses its controlling influence, any remaining portion be remeasured at fair value and a gain or loss recognized in profit and loss. The Group will apply IAS 27 (amended) prospectively to transactions involving non-controlling interests.

– IFRS 3 (Revised) Business Combinations. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments for purchases of a business are recognized at fair value on the date of acquisition, with contingent payments classified as debt subsequently remeasured in profit and loss. As regards non-controlling interests in the acquired business, there is a choice on an acquisition-by-acquisition basis of measuring the non-controlling interest in the acquiree, either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

– IAS 38 (Amendment) Intangible Assets. The amendment is part of the IASB's annual improvements project that was published in April 2009 and the Group will apply IAS 38 (Amendment) from the same date as IFRS 3 (Revised) is applied. The amendment clarifies the measurement of the fair value of an intangible asset acquired in a business combination. According to the amendment, intangible assets may be grouped and treated as an asset if the assets have similar useful lives. The amendment will not have any material impact on the Group's financial statements.

– IFRS 5 (Amendment) Non-Current Assets Held for Sale and Discontinued Operations. The amendment is part of the IASB's annual improvements project that was published in April 2009. The amendment clarifies that IFRS 5 specifies the disclosure requirements pertaining to fixed assets (or disposal groups) classified as fixed assets held for sale or divested operations.

## Standards, amendments and interpretations of existing standards that have not yet come into effect and have not been applied in advance by the Group

IFRS 9 Financial Instruments (published November 2009). This standard will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces two new requirements relating to the recognition and measurement of financial assets that will probably impact the Group's recognition of financial assets. The standard will not come into effect until the fiscal year commencing on 1 January 2013 but is available for advance application. The standard has, however, not been adopted by the EU. The Group has yet to assess the full implications of IFRS 9 on the financial statements.

– IAS 24 (Revised) Related Party Disclosures, issued in November 2009 and replacing IAS 24 Related Party Disclosures, issued in 2003. IAS 24 (Revised) shall be applied to fiscal years beginning on January 1, 2011 or later. Early application of all or part of the standard is permissible. The revised standard clarifies and simplifies the definition of a related party and removes the disclosure requirements for government-related entities concerning details of all transactions with the government and other related parties to the government. The Group will apply the revised standard from January 1, 2011. When the revised standard is applied, the Group will be required to provide disclosure regarding transactions between Group companies and the Group's associated companies. Since the Group is currently implementing a system to compile all the necessary information, it is not possible at present to provide information concerning the implications of the revised standard for related party disclosures.

Several other amendments to standards and new statements have been published. However, these are not considered to have any material impact on the Group's financial statements.

## Consolidated accounts

### Group

The consolidated accounts include the Parent Company and all subsidiaries and associated companies.

### Subsidiaries 2009

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. The cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed on the date of transfer, 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 in an acquisition of operations, irrespective of the extent of any non-controlling interests, is measured at fair value at the date of acquisition. The excess comprising the difference between the cost and the fair value of the Group's acquired identifiable assets, liabilities and contingent liabilities is recognized as goodwill. If the cost is less than the fair value of the acquired net assets, the difference is recognized directly in profit and loss.

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

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

All intra-Group transactions, balance-sheet items, 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.

### Subsidiaries 2010

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. Consideration transferred for an acquisition comprises the fair value of assets given as compensation or liabilities incurred or taken over on the date of transfer. Transaction costs attributable to the acquisition are expensed as they arise. In the case of each acquisition, the Group determines whether all non-controlling interests in the acquired company are to be recognized at fair value or at the holding's proportional share of the acquired company's net assets. The amount by which the consideration transferred, any non-controlling interests and the fair value of previous shareholdings on the date of transfer exceeds the fair value of the Group's share of identifiable acquired net assets is recognized as goodwill. If the transferred consideration is less than the fair value of acquired net assets, the difference is recognized directly in profit and loss.

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

Subsidiaries divested during the fiscal year are recognized in the consolidated accounts up to and including the date when control ceased. All intra-Group transactions, balance-sheet items, 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 significant but not controlling influence generally corresponding to between 20 and 50 percent of the voting rights. Investments in associated companies are recognized in accordance with the equity method and are

initially recognized at cost. The Group's recognized value of the holdings in associated companies includes the goodwill identified in conjunction with the acquisition at net amount after any recognition of any impairment losses. The associated companies essentially carry out the same operations as the Group's other business activities and, accordingly, shares of profit are recognized in operating profit.

The Group's share in the post-acquisition results of an associated company is recognized in profit and loss in the item "Share of profit or loss in associated companies" and is included in operating income. Accumulated post-acquisition changes are recognized 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 recognize 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 recognized in accordance with the equity method, similar to investments in associated companies.

#### **Transactions with non-controlling interests**

Transactions with non-controlling interests are treated as transactions with the Group's shareholders. This means that in connection with an acquisition from a non-controlling interest, the difference between the purchase consideration paid and the actual share acquired of the carrying amount of the subsidiary's net assets is recognized in equity. Gains and losses on divestments to non-controlling interests are also recognized in equity.

#### **Discontinuing or divested operations**

Discontinuing or divested operations comprise significant parts of operations and assets that the Group has decided to fully or almost fully discontinue or divest through disposal or distribution. These assets are recognized at the lower of the carrying amount and fair value, less selling expenses. These non-current assets are not depreciated from the date of reclassification.

#### **Translation of foreign currencies**

##### *Functional currency and reporting currency*

Items included in the financial statements of the various entities of the Group are valued in the currency used in the primary economic environment of each company's operations (functional currency). Swedish kronor (SEK) is utilized in the Group accounts, which is the Parent Company's functional currency and presentation currency.

##### *Transactions and balance-sheet items*

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 closing rate are recognized in profit and loss. An exception is made where hedging transactions meet the requirements for cash-flow hedge or net-investments hedge where gains and losses are recognized directly against equity after adjustment for deferred taxes. Reversal to profit and loss is conducted at the same time the hedged transaction affects the income statement.

#### **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 recognized 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 recognized 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 recognized in profit and loss except when an underlying transaction is recognized directly against equity or total comprehensive income, in which case the related tax effect is also recognized in equity or total comprehensive income. 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 recognized in its entirety and calculated using the liability method on all temporary differences that arise between the tax base of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is valued at the nominal amount and calculated by 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 and have not 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 recognized to the extent it is probable that tax surpluses will be available in the future, against which temporary differences can be utilized.

#### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reports presented to the most senior executive manager. The chief operating decision maker is the function that is responsible for the allocation of resources and the assessment of the segment's earnings. For the Group, this function has been identified as the President. The division of operating segments corresponds to the Group's business areas. For a description of the different segments, see pages 24-31.

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 comprises 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 recognized cash flows. In the presentation of the Group's geographical markets the operations have been subdivided into the Group's key geographical markets, which are Western Europe, North America and Rest of the World.

Net sales are recognized according to customer location, while assets and capital expenditures are recognized according to the actual physical location of these assets.

#### **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 comprises the fair value of the amount that has been received or will be received for goods and services sold in the Group's ongoing operations, 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 Group 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.

#### **Royalty revenue**

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

#### **Interest income**

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

#### **Dividend income**

Dividend income is recognized when the right to receive payment has been determined.

#### **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 and subsidiaries.

#### **Borrowing costs**

The Group capitalizes borrowing costs that are directly attributable to acquisitions, construction or production of a qualifying asset that require a substantial period of time to complete for use or sale as a portion of the cost of that asset. Other 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.

#### **Intangible assets**

##### *Goodwill*

The amount by which the transferred consideration, any non-controlling interests and the fair value of previous shareholdings on the date of transfer exceeds the fair value of the Group's share of identifiable acquired net assets is recognized as goodwill. 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 that is recognized separately is tested annually to identify possible impairment losses and is measured at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of a unit include the remaining carrying amount of the goodwill attributable to the disposed unit. In the impairment tests, goodwill is allocated to cash-generating units. The allocation is made between the cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition of operations that gave rise to the goodwill item. These cash-generating units comprise the Group's investments in each primary segment.

##### *Research and development*

Expenditure for development and research is expensed when it arises. Expenditure for development and testing of new or significantly improved materials, products, processes or systems is capitalized once the following criteria have been fulfilled:

- it is technically feasible to complete the intangible asset such that it can be utilized or sold,
- management intends to complete the intangible asset and utilize or sell it,
- there are prerequisites in place to utilize or sell the intangible asset,
- it can be demonstrated that the intangible asset will generate probable, future economic benefits,
- adequate technical, economic and other resources to complete the development and to utilize or sell the intangible asset are available, and
- the expenditure associated with the intangible asset during its development can be calculated in a reliable manner.

Other development expenditure is expensed as incurred. Development expenditure previously expensed is not capitalized in subsequent periods. Capitalized development expenditure is recognized as intangible assets. Capitalized development expenditure has a finite useful life and is amortized straight-line from the point at which commercial production of the product commences. Amortization is based on the anticipated useful life, normally a period of five years.

##### *Other intangible assets*

Other intangible assets include externally acquired assets, such as capitalized IT expenditure, patents, brands and licenses. Assets with a finite useful life are measured at cost less accumulated amortization and impairment losses. Subsequent expenditure for an intangible asset is added to the carrying amount or recognized 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 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 primarily encompass plants and offices. 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 applied until the estimated residual value is reached. The residual value and useful life of the assets are assessed on each balance-sheet date, and if necessary, are adjusted. The carrying amount of an asset is immediately impaired to the recoverable value if the carrying amount of an asset exceeds its estimated recoverable value. See the section relating to impairment losses.

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 carrying amount or recognized 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.

The carrying amount of the replaced portion is derecognized from the balance sheet. All other forms of repairs and maintenance are expensed as incurred.

Gains and losses on disposal are determined by comparing the sales proceeds and the carrying amount and are recognized in profit and loss 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 recognized at the leased asset's fair value or at the present value of the lease payments, whichever is lower. The leased asset is recognized as PPE.

Each lease payment is split into amortization of the liability and financial costs to achieve a fixed interest rate for the recognized liability. The equivalent payment undertaking, less financial costs, is included as an interest-bearing liability. The interest portion of the financial costs is recognized in profit and loss over the lease term, so that each reporting period is charged with an amount equivalent to a fixed interest rate for the liability recognized 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 according to plan. 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.

#### **Impairment losses of non-financial assets**

Assets with an indefinite useful life, for example goodwill, 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 in 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, known as WACC (Weighted Average Cost of Capital). 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 smallest cash-generating unit to which the asset belongs. The cash-generating units comprise the Group's operating segments. Impairment losses are reversed if there is a change in the recoverable amount, with the exception of impairment losses on goodwill.

#### **Fixed assets held for sale**

Fixed assets (or disposal groups) are classified as held for sale when their carrying amounts will primarily be recovered on the basis of a sales transaction and a sale is deemed to be highly probable. These assets are recognized at the lower of carrying amount or fair value, less selling expenses, if their carrying amounts will primarily be recovered on the basis of a sales transaction and not through continuous use.

### **Financial instruments**

Financial instruments recognized in the balance sheet include the following assets and liabilities: cash and cash equivalents, securities, other financial receivables, accounts receivable, accounts payable, loans and derivatives.

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

A financial asset is derecognized from the balance sheet when all benefits and risks associated with ownership have been transferred. A financial liability is derecognized from 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 accumulated amortized cost, depending on their classification. All financial derivatives 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 has been impaired.

#### *Classification of financial instruments*

The Group classifies its financial instruments into the following categories: financial assets or liabilities at fair value through profit and loss, loans and receivables, and financial liabilities measured at amortized cost.

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 recognized 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 profit or loss, while exchange-rate differences on financial receivables and liabilities are classified as financial items.

#### *Financial assets at fair value through profit and loss*

This category comprises both financial assets held for trading as well as assets designated into this category from the date of investments and valued at fair value through profit and loss. The Group's assets in this category comprise non-current and current securities investments and financial derivatives 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 at fair value through profit and loss are measured at fair value, both initially and subsequent to the date of acquisition. Realized and unrealized gains and losses attributable to changes in fair value are recognized through profit and loss as a financial item in the period in which they occur.

#### *Financial liabilities at fair value through profit and 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 recognized through profit and loss as a financial item. Only derivatives were recognized in this category during the year.

#### *Loans and receivables*

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

Loan receivables and accounts receivable are initially measured 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. Significant financial difficulties experienced by a debtor, the probability of the debtor entering into bankruptcy or undergoing financial reconstruction and payments not being made or being made late (fallen due by more than 30 days) are considered to be indications that a bad debt provision may be required. The size of the provision comprises the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted by the receivable's effective interest rate. The carrying amount of the asset is reduced by using a depreciation account and the loss is recognized under the item "Selling expenses". When a receivable

cannot be collected, it is eliminated against the depreciation account for receivables. The reversal of amounts that were previously eliminated is credited under the item "Selling expenses" in the income statement.

#### *Cash and cash equivalents*

Cash and cash equivalents consist of cash balances and balances with banks and other institutes that mature within three months from the time of acquisition, as well as short-term investments with a maturity, from the time of acquisition, of less than three months, and which are exposed to a minimal risk of fluctuations in value.

#### *Borrowings*

Borrowings are initially recognized 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 recognized in profit and loss 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 initially recognized at fair value and thereafter at accrued cost using the effective interest method.

#### *Offsetting of financial instruments*

Financial assets and liabilities are offset and recognized at net amount in the balance sheet only when a legal right exists to offset the recognized amount and there is an intention to settle the amount or simultaneously realize the asset and settle the liability.

#### *Impairment of financial assets*

##### *– Assets carried at amortized cost*

At the end of each reporting period, the Group assesses whether there is objective evidence to recognize impairment losses on a financial asset or group of financial assets. Impairment losses will be recognized on a financial asset or group of financial assets only if there is objective evidence of an impairment requirement as a result of the occurrence of one or more events after the asset was initially recognized (a "loss event") and this event (or events) has (have) an impact on estimated future cash flows for the financial assets or group of financial assets that can be estimated reliably.

#### *Financial derivatives*

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

Derivatives are recognized in the balance sheet from the contract date and are measured at fair value, both initially and in subsequent reassessment. The method for recording the gains or losses arising in connection with reassessment depends 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 and loss. Realized and unrealized gains and losses resulting from changes in fair value are recognized 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 risk management 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 designed so that they can be expected to be effective. Changes in the fair value of such derivatives that do not meet the requirements for hedge accounting are recognized directly in profit and loss.

#### *Hedging of future commercial cash flows in foreign currencies*

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 recognized

directly in operating profit in profit and loss. Accumulated amounts in equity are transferred back to profit and loss 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 recognized as income at the same time as the forecast transaction is finally recognized in profit and loss.

If a forecast transaction is no longer expected to take place, the accumulated gain or loss recognized in equity is immediately transferred to profit and loss.

#### *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 recognized on an ongoing basis as interest income or interest expense.

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

#### *Hedging of net investments in foreign subsidiaries*

The Group has borrowings, foreign-exchange forward contracts 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 borrowings are measured at the closing rate and exchange rate differences are recognized 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 recognized 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 profit and loss as a financial item.

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

Realized exchange-rate differences on borrowings and forward contracts are recognized 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 and work in progress, 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 recognized 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 recognized 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 recognized when the Group has a legal or constructive obligation resulting from past events and it is probable that payment will be required 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 recognized directly against equity, after adjustment for current tax.

#### **Government grants**

Government grants are recognized 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 recognized 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.

A defined-contribution pension plan is a plan in which the Group pays fixed fees to a separate legal entity. The Group does not have any legal or informal obligations to pay additional contributions if this legal entity has insufficient assets with which to make all pension payments to employees that are associated with the current or past service of employees. 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.

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

The liability recognized in the balance sheet in respect of defined-benefit pension plans is the present 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 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 largely matching that of the current 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 accumulated actuarial gains and losses arising from experience-based adjustments and changes to actuarial assumptions exceed the higher of 10 percent of the pension obligations or the market value of the plan assets, the excess 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 record this plan as a defined-benefit plan, it was consequently recognized as a defined-contribution plan.

The Group's pension payments for defined-contribution plans are expensed in all functions in profit and loss in the period when the employees carried out the service to which the contribution refers. Prepaid contributions are recognized as an asset to the extent that cash repayments or reductions of future payments can benefit the Group.

##### *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.

##### *Variable salaries*

Provisions for variable salaries 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 records 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 mar-

ket terms and prices. In addition, compensation is paid to the Board of Directors and senior executives, refer to Note 3 for further information.

### Critical accounting estimates and judgments

Company management and the Board of Directors make estimates and assumptions about the future. These estimates and assumptions affect recognized 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 carrying amounts 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 recognized if the carrying amount exceeds the estimated value in use. See also Note 15. Goodwill represents approximately 77 percent of the Group's equity.
- Other PPE and intangible assets are recognized at cost, less accumulated depreciation and any impairments. The Group has no intangible assets other than goodwill with a non-finite useful life. Amortization and depreciation occur 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 carrying amount of an asset also becomes necessary when a decision is taken to sell the asset. The asset is measured at the lower of the carrying amount and the fair value after deduction of selling costs. Not including goodwill, PPE and intangible assets amount to approximately 50 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, an assessment is made of the probability that the deferred tax receivables will be utilized 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 18.
- Calculations of remuneration to employees: The value of pension obligations for benefit-based pension plans is derived from actuarial calculations based on 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 544 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 higher 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 155 m at year-end.

- Calculations regarding legal disputes and contingent liabilities: The Group is involved in a number of disputes and legal proceedings within the framework of 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, refer to the Risk management section on page 34.
- Calculations of provisions for restructuring measures, other provisions and accrued expenses: The amount of the provision 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.

### Parent Company's accounting policies

The financial statements of the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.

Accounting for legal entities entails that, in its financial reporting, the Parent Company applies 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

A description of the Group's operating segments is presented on pages 24-31.

#### Net sales and operating profit/loss by business segment

	2010						2009						
	SEK M	Net sales External	Net sales Internal	Total	Operating profit/loss	Of which, items affecting comparability	Of which, profit/ loss in associa- ted companies	Net sales External	Net sales Internal	Total	Operating profit/loss	Of which, items affecting comparability	Of which, profit/ loss in associa- ted companies
Trelleborg Engineered Systems	9,891	162	10,053	719	-131			10,099	150	10,249	474	-163	0
Trelleborg Automotive	8,544	16	8,560	452	-77	14		7,022	9	7,031	10	-23	7
Trelleborg Sealing Solutions	5,771	12	5,783	854	-22			4,658	15	4,673	128	-152	
Trelleborg Wheel Systems	2,990	0	2,990	247	-16			2,990	1	2,991	267	-16	
Other operations				-236	-4						-145		
Elimination of inter-company sales		-190	-190							-175	-175		
<b>Continuing operations</b>	<b>27,196</b>	<b>0</b>	<b>27,196</b>	<b>2,036</b>	<b>-250</b>	<b>14</b>	<b>14</b>	<b>24,769</b>	<b>0</b>	<b>24,769</b>	<b>734</b>	<b>-354</b>	<b>7</b>
Discontinued operations	1,582	2	1,584	-84	-2	-9		2,290	14	2,304	39	-36	4
Elimination of inter-company sales in discontinued operations		-2	-2							-14	-14		
<b>Trelleborg Group</b>	<b>28,778</b>	<b>0</b>	<b>28,778</b>	<b>1,952</b>	<b>-252</b>	<b>5</b>	<b>5</b>	<b>27,059</b>	<b>0</b>	<b>27,059</b>	<b>773</b>	<b>-390</b>	<b>11</b>
Financial income				19							23		
Financial expenses				-239							-427		
Income tax				-549							50		
<b>Net profit for the year</b>				<b>1,183</b>							<b>419</b>		

## Assets and liabilities by business segment

	2010								2009							
	Operating assets	Operating liabilities	Capital employed	Of which investment in associated companies	Capital expenditures	Depreciation/amortization	Impairment losses	Operating cash flow <sup>1)</sup>	Operating assets	Operating liabilities	Capital employed	Of which investment in associated companies	Capital expenditures	Depreciation/amortization	Impairment losses	Operating cash flow <sup>1)</sup>
SEK M																
Trelleborg Engineered Systems	8,442	2,380	6,062	3	254	336	3	724	8,868	2,486	6,382	3	252	356	21	1,518
Trelleborg Automotive	5,533	1,820	3,713	38	278	354	45	640	5,858	1,696	4,162	52	212	400	9	450
Trelleborg Sealing Solutions	7,584	1,039	6,545	-3	180	194	10	885	7,942	786	7,156	-3	91	217	18	783
Trelleborg Wheel Systems	2,405	693	1,712	3	104	96		251	2,543	708	1,835	3	176	102	-2	520
Other operations	192	224	-32		6	10		-310	242	191	51		2	10		-231
Provisions for items affecting comparability				215	-215								416	-416		
<b>Continuing operations</b>	<b>24,156</b>	<b>6,371</b>	<b>17,785</b>	<b>41</b>	<b>822</b>	<b>990</b>	<b>58</b>	<b>2,190</b>	<b>25,453</b>	<b>6,283</b>	<b>19,170</b>	<b>55</b>	<b>733</b>	<b>1,085</b>	<b>46</b>	<b>3,040</b>
Discontinued operations							9	14	12	119	792	536	256	84	28	-5
Operations held for sale	433	127	306	5	8	10		64	469	140	329	18	9	11		180
<b>Trelleborg Group</b>	<b>24,589</b>	<b>6,498</b>	<b>18,091</b>	<b>46</b>	<b>839</b>	<b>1,014</b>	<b>70</b>	<b>2,373</b>	<b>26,714</b>	<b>6,959</b>	<b>19,755</b>	<b>73</b>	<b>826</b>	<b>1,124</b>	<b>46</b>	<b>3,215</b>

<sup>1)</sup> Operating cash flow relates to the Group's operations, excluding provisions for items affecting comparability.

## Net sales

## By geographical market/country

SEK M	2010		2009	
	Operating assets	Capital expenditures	Operating assets	Capital expenditures
Germany		3,601		3,397
France		2,199		2,220
UK		1,986		1,759
Sweden		1,374		1,190
Italy		1,027		1,134
Spain		961		956
Norway		661		667
The Netherlands		574		534
Belgium		570		538
Switzerland		398		253
Denmark		267		501
Finland		264		221
Other Western Europe		361		334
<b>Total Western Europe</b>	<b>14,243</b>	<b>13,704</b>		
Poland		362		292
The Czech Republic		293		318
Turkey		210		145
Rest of Europe		594		479
<b>Total rest of Europe</b>	<b>1,459</b>	<b>1,234</b>		
US		4,819		4,477
Canada		570		463
<b>Total North America</b>	<b>5,389</b>	<b>4,940</b>		
Brazil		1,369		1,127
Mexico		404		248
Other South and Central America		111		104
<b>Total South and Central America</b>	<b>1,884</b>	<b>1,479</b>		
China		985		642
South Korea		635		481
Australia		427		389
Japan		414		342
India		406		280
Other markets		1,354		1,278
<b>Total Asia</b>	<b>4,221</b>	<b>3,412</b>		
<b>Continuing operations</b>	<b>27,196</b>	<b>24,769</b>		
Discontinued operations		1,582		2,290
<b>Trelleborg Group</b>	<b>28,778</b>	<b>27,059</b>		
Of which				
sales of goods		28,646		26,872
services		132		187

In the translation of foreign subsidiaries, changes in exchange rates compared with 2009 had a negative impact on sales of 7 percent.

## Trends in key currencies were as follows:

	2010		2009	
	Average rate	Closing day rate	Average rate	Closing day rate
EUR	9,5377	9,0113	10,6222	10,3623
USD	7,2047	6,8038	7,6503	7,2138
GBP	11,1240	10,5538	11,9260	11,4913

## Net sales

## External net sales by geographical market

SEK M	2010		2009	
	Operating assets	Capital expenditures	Operating assets	Capital expenditures
Western Europe		15,596		16,773
North America		4,538		4,856
Rest of the world <sup>1)</sup>		4,420		4,023
Eliminations		-398		-199
<b>Continuing operations</b>	<b>24,156</b>	<b>25,453</b>	<b>822</b>	<b>733</b>
Discontinued operations			792	9
Assets held for sale		433	469	8
<b>Trelleborg Group</b>	<b>24,589</b>	<b>26,714</b>	<b>839</b>	<b>826</b>

<sup>1)</sup> Rest of the world consists of Other European countries, South and Central America and Asia and other markets.

## Assets by geographical market

SEK M	Operating assets		Capital expenditures	
	2010	2009	2010	2009
Western Europe	15,596	16,773	438	435
North America	4,538	4,856	104	77
Rest of the world	4,420	4,023	280	221
Eliminations	-398	-199		
<b>Continuing operations</b>	<b>24,156</b>	<b>25,453</b>	<b>822</b>	<b>733</b>
Discontinued operations			792	9
Assets held for sale		433	469	8
<b>Trelleborg Group</b>	<b>24,589</b>	<b>26,714</b>	<b>839</b>	<b>826</b>

## Note 3

## Employees and employee benefits

## Average number of employees

	2010			2009		
	Women	Men	Total	Women	Men	Total
France	438	1,552	1,990	543	1,895	2,438
Sweden	571	1,241	1,812	527	1,204	1,731
UK	330	940	1,270	257	1,109	1,366
Italy	182	1,014	1,196	201	1,182	1,383
Germany	268	791	1,059	251	785	1,036
Spain	178	786	964	218	775	993
Malta	182	389	571	120	306	426
Other Western Europe	225	881	1,106	256	908	1,164
<b>Total Western Europe</b>	<b>2,374</b>	<b>7,594</b>	<b>9,968</b>	<b>2,373</b>	<b>8,164</b>	<b>10,537</b>
Poland	295	398	693	364	537	901
Rest of Europe	517	865	1,382	562	966	1,528
<b>Total rest of Europe</b>	<b>812</b>	<b>1,263</b>	<b>2,075</b>	<b>926</b>	<b>1,503</b>	<b>2,429</b>
US	906	2,123	3,029	874	1,959	2,833
Canada	4	13	17	18	18	36
<b>Total North America</b>	<b>910</b>	<b>2,136</b>	<b>3,046</b>	<b>892</b>	<b>1,977</b>	<b>2,869</b>
Brazil	141	911	1,052	116	867	983
Other South and Central America	220	253	473	171	178	349
<b>Total South and Central America</b>	<b>361</b>	<b>1,164</b>	<b>1,525</b>	<b>287</b>	<b>1,045</b>	<b>1,332</b>
China	368	700	1,068	285	563	848
India	44	688	732	23	429	452
Sri Lanka	28	628	656	29	673	702
Other markets	186	786	972	166	738	904
<b>Total Asia and other markets</b>	<b>626</b>	<b>2,802</b>	<b>3,428</b>	<b>503</b>	<b>2,403</b>	<b>2,906</b>
<b>Total</b>	<b>5,083</b>	<b>14,959</b>	<b>20,042</b>	<b>4,981</b>	<b>15,092</b>	<b>20,073</b>
Of which discontinued operations	325	743	1,068	618	1,339	1,958

The proportion of women is 9 percent (8) in executive management positions and 29 percent (14) on the Board of Directors.

Cont.

## ► Note 3 continued

**Employee benefits**

<b>Salaries and other remuneration, SEK M</b>	<b>2010</b>	<b>2009</b>
France	610	779
Sweden	745	728
UK	451	476
Italy	472	518
Germany	562	597
Spain	272	316
Malta	102	81
Other Western Europe	624	632
<b>Total Western Europe</b>	<b>3,838</b>	<b>4,127</b>
Poland	73	88
Rest of Europe	157	156
<b>Total rest of Europe</b>	<b>230</b>	<b>244</b>
US	1,226	1,154
Canada	10	16
<b>Total North America</b>	<b>1,236</b>	<b>1,170</b>
Brazil	175	137
Other South and Central America	46	37
<b>Total South and Central America</b>	<b>221</b>	<b>174</b>
China	89	69
India	25	17
Sri Lanka	25	24
Other markets	308	257
<b>Total Asia and other markets</b>	<b>447</b>	<b>367</b>
<b>Total</b>	<b>5,972</b>	<b>6,082</b>
Of which		
to Board members, presidents and executive vice presidents, including variable salaries	187	162
to other senior executives	18	19

<b>SEK M</b>	<b>2010</b>	<b>2009</b>
Payroll overheads	1,292	1,424
Pension costs – defined-contribution plans	142	192
Pension costs – defined-benefit plans	68	77

<b>SEK M</b>	<b>2010</b>	<b>2009</b>
Of which discontinued operations		
Salaries and other remuneration	263	415
Payroll overheads	71	121
Pension expenses	10	18

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

**Remuneration of the Board of Directors and senior executives****Principles**

The following principles governing remuneration of senior executives in the Trelleborg Group were adopted by the 2010 Annual General Meeting. The Board's proposal to the 2011 Annual General Meeting regarding principles for remuneration is the same as the proposal adopted by the 2010 Annual General Meeting. Trelleborg's principles for remuneration of 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 fixed and annual 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 must have the capacity to vary depending on local conditions. Also refer to [www.trelleborg.com](http://www.trelleborg.com), Corporate Governance, Annual General Meeting: "Principles for remuneration and other conditions of employment for senior executives".

**Remuneration of management 2010****President**

During 2010, the President and CEO received a fixed salary and other remuneration as shown in the table below. Pursuant to agreements, the President has the possibility of obtaining an annual variable salary. The annual variable salary has an established ceiling for full-year 2010, corresponding to 65 percent of fixed salary. During 2010, the variable salary was based on the Trelleborg Group's profit before tax, excluding the effect of structural changes approved by the Board, and on the Trelleborg Group's operating cash flow, excluding the effect of structural changes approved by the Board. The annual variable salary does not constitute pensionable income. Since the established targets were exceeded in 2010, a variable salary of SEK 4,550,000 (3,900,000) was payable to the President.

The President has a pension agreement entitling 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 motivation, to request early retirement from the age of 60, subject to a mutual six-month notice of termination. Should the President enter into early retirement, the employment agreement and pension agreement shall be rendered invalid as of the effective date of such retirement. The pension agreement is a defined-contribution scheme, and the premium is computed as 40 percent of the fixed annual salary. Pension premiums were expensed in 2010 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, which does not apply if termination is initiated by the President. The period of notice from the President is six months.

**Other senior executives**

The principles for remuneration to other senior executives are based on both a fixed and annual variable salary. The annual variable part has an established upper limit and accounts for about 25–65 percent of fixed annual salary. In 2010, the variable salary was based on the earnings trend and operating cash flow. Some of the 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. Regular retirement pension plans are defined-contribution schemes, whereby the pension premium is calculated at 30 percent of the fixed annual salary. For certain 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 as a benefit. The Group has a global remuneration policy covering all managers and senior salaried employees. There is also a policy covering certain provisions for remuneration of senior executives, covering pension terms, medical expenses insurances and company cars.

**Long-term incentive program**

Since 2005, the Board of Directors has annually resolved on the introduction of a long-term incentive program for the President and for certain senior executives considered to exercise a significant influence on the Trelleborg Group's earnings per share. These programs are ongoing three-year programs for which the Board will, on a yearly basis, approve new programs and will define their scope, objective and number of participants. The incentive programs are cash-based and constitute a supplement to the annual variable salaries, provided that the executive is employed by the Trelleborg Group as per December 31 in the year in which the program ends.

**Purpose**

The incentive programs are targeted and have long-term content that aims to continue to promote the commitment of senior executives to the Group's development and, thereby, increase value for the Group's shareholders.

**Target figure**

The target value for the incentive program is the Trelleborg Group's earnings per share, with an annual improvement of 10 percent, excluding items affecting comparability and the impact of any share buyback programs, and including the costs for the programs. For ongoing programs, the Board established targets of SEK 6.56 in earnings per share for 2008, SEK 2.56 for 2009 and SEK 2.85 for 2010, with the ceiling for payments set at 25 percent of the maximum annual variable salary per program per year. For the 2008 program, the targets for earnings per share were recalculated as a result of the implemented rights issue in 2009.

**Outcome and payment**

Program outcomes are calculated annually and accumulated over the three-year period, and potential payments are made in the first quarter of the year after the program expires. Accordingly, for the program approved in 2008, payments will be made in the first quarter of 2011, for the program approved in 2009, payments will be made in the first quarter of 2012, and for the program approved in 2010, payments will be made in the first quarter of 2013. The payments do not constitute pensionable income. In 2010, earnings were charged with SEK 20,541,000 (12,289,000) in addition to payroll overheads of SEK 4,373,000 (2,597,000).

**Other incentive programs**

At present, the Group has no ongoing convertible or option programs.

**Remuneration to the Board 2010**

The fees paid to the members of the Board of Directors elected by the Annual General Meeting are established by the Annual General Meeting based on the proposals of the Nomination Committee. For 2010, remuneration was paid as per the table below. No remuneration is paid to members of the Finance Committee. No consulting fees were paid to the Board members. Remuneration is not paid to Board members who are also employed by the Group.

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

<b>2010 SEK 000s</b>	<b>Board fee/ fixed salary</b>	<b>Annual variable salary</b>	<b>Incentive program<sup>1)</sup></b>	<b>Other benefits</b>	<b>Pension costs</b>	<b>Total</b>
Anders Narvinger, Chairman of the Board	1,100					1,100
Hans Börck, Board member	393					393
Staffan Bohman, Board member	137					137
Claes Lindqvist, Board member	510					510
Sören Mellstig, Board member	427					427
Bo Risberg, Board member	240					240
Nina Udnés Tronstad, Board member	240					240
Heléne Vibbleus Bergquist, Board member	510					510
President	7,559	4,550	2,275	163	2,847	17,394
Executive Vice President	3,220	1,250	625	112	2,375	7,582
Other senior executives, employees of Trelleborg AB, 5 persons	9,404	3,370	1,480	556	4,125	18,935
employees of other Group companies, 4 persons	17,818	9,361	3,809	289	3,873	35,150
<b>Total</b>	<b>41,558</b>	<b>18,531</b>	<b>8,189</b>	<b>1,120</b>	<b>13,220</b>	<b>82,618</b>

<sup>1)</sup> Expended in 2010. Payment is made in the form of fifty percent of the amount in the first quarter 2012 and fifty percent of the amount in the first quarter 2013 on condition that the individual is employed in the Group on December 31, 2011 and December 31, 2012, respectively.

For changes to the Board in 2010, see page 41.

<b>2009 SEK 000s</b>	<b>Board fee/ fixed salary</b>	<b>Annual variable salary</b>	<b>Incentive program</b>	<b>Other benefits</b>	<b>Pension costs</b>	<b>Total</b>
Anders Narvinger, Chairman of the Board	1,100					1,100
Hans Börck, Board member	240					240
Staffan Bohman, Board member	410					410
Rolf Kjellman, Board member	170					170
Claes Lindqvist, Board member	477					477
Sören Mellstig, Board member	360					360
Heléne Vibbleus Bergquist, Board member	493					493
President	6,506	3,900	975	153	2,382	13,916
Executive Vice President	3,150	1,250	313	127	2,085	6,925
Other senior executives, employees of Trelleborg AB, 6 persons	10,188	3,890	740	647	4,067	19,532
employees of other Group companies, 4 persons	19,108	6,309	2,480	267	3,744	31,908
<b>Total</b>	<b>42,202</b>	<b>15,349</b>	<b>4,508</b>	<b>1,194</b>	<b>12,278</b>	<b>75,531</b>

## Note 4

### Auditors' remuneration

SEK M	2010	2009
PricewaterhouseCoopers		
Audit assignment	34	38
Audit activities other than audit assignment	4	4
Tax consultancy services	3	3
Other services	17	7
Other auditors		
Audit assignment	1	1
Audit activities other than audit assignment	–	–
Tax consultancy services	–	–
Other services	0	1
<b>Total</b>	<b>59</b>	<b>54</b>
Of which discontinued operations	1	1

## Note 5

### Items affecting comparability

#### Breakdown by business area

SEK M	2010	2009
Trelleborg Engineered Systems	-131	-163
Trelleborg Automotive	-77	-23
Trelleborg Sealing Solutions	-22	-152
Trelleborg Wheel Systems	-16	-16
Other	-4	–
<b>Total</b>	<b>-250</b>	<b>-354</b>

#### Breakdown by function

SEK M	2010	2009
Cost of goods sold	-30	-45
Administrative expenses	-43	-43
Other operating costs	-177	-266
<b>Total</b>	<b>-250</b>	<b>-354</b>

#### Of which, impairment losses/restructuring costs

SEK M	Impairment losses		Restructuring costs	
	2010	2009	2010	2009
Trelleborg Engineered Systems	1	-22	-132	-141
Trelleborg Automotive	-22	-4	-55	-19
Trelleborg Sealing Solutions	-9	-19	-13	-133
Trelleborg Wheel Systems	–	–	-16	-16
Övrigt	–	–	-4	–
<b>Total</b>	<b>-30</b>	<b>-45</b>	<b>-220</b>	<b>-309</b>

Impairment of non-current assets was conducted to the calculated value in use.

## Note 6

### Other operating income and expenses

SEK M	2010	2009
Compensation from insurance company	16	12
Exchange-rate differences	74	73
Customer-/Supplier-related income	19	28
Sale of non-current assets	16	25
Sale of tools, prototypes, etc.	84	93
Sale of services	11	7
Other	82	42
<b>Total other operating income</b>	<b>302</b>	<b>280</b>
Royalties	-18	-6
Exchange-rate differences	-60	-79
Customer-/Supplier-related expenses	-23	-39
Sale/disposal of non-current assets	-8	-15
Restructuring costs	-177	-266
Other	-102	-43
<b>Total other operating expenses</b>	<b>-388</b>	<b>-448</b>
<b>Total</b>	<b>-86</b>	<b>-168</b>

## Note 7

### Share of profit or loss in associated companies

SEK M	Profit/loss before tax		Tax		Net profit/loss		Dividend received	
	2010	2009	2010	2009	2010	2009	2010	2009
Dawson Manu.Co	23	12	-9	-4	14	8	26	0
Other associated companies	0	-1	0	0	0	-1	0	0
<b>Total continuing</b>	<b>23</b>	<b>11</b>	<b>-9</b>	<b>-4</b>	<b>14</b>	<b>7</b>	<b>26</b>	<b>0</b>
Roofing contractor	-11	6	3	-2	-8	4	8	26
<b>Total discontinued</b>	<b>-11</b>	<b>6</b>	<b>3</b>	<b>-2</b>	<b>-8</b>	<b>4</b>	<b>8</b>	<b>26</b>

SEK M	Receivables from associated companies		Liabilities to associated companies		Sales to associated companies		Operating income from associated companies	
	2010	2009	2010	2009	2010	2009	2010	2009
Dawson Manu. Co	5	4	0	0	23	17	8	6
Other associated companies	0	1	0	0	7	6	0	0
<b>Total continuing</b>	<b>5</b>	<b>5</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>23</b>	<b>8</b>	<b>6</b>
Roofing contractor	19	9	0	0	109	143	5	18
<b>Total discontinued</b>	<b>19</b>	<b>9</b>	<b>0</b>	<b>0</b>	<b>109</b>	<b>143</b>	<b>5</b>	<b>18</b>

Company	Registered office		Share of equity, %	Assets		Liabilities	
	2010	2009		2010	2009	2010	2009
Indirectly owned							
Dawson Manu. Co	USA		45	140	173	55	57
Other				32	153	24	81
<b>Total continuing</b>				<b>172</b>	<b>326</b>	<b>79</b>	<b>138</b>
Roofing contractor				186		133	
<b>Total discontinued</b>				<b>186</b>		<b>133</b>	

Company	Shareholders' equity		Net sales	Profit/loss for the year		Carrying amount	
	2010	2009		2010	2009	2010	2009
Indirectly owned							
Dawson Manu. Co	85	116	265	188	33	16	38
Other	8	72	41	23	-2	-3	3
<b>Total continuing</b>	<b>93</b>	<b>188</b>	<b>306</b>	<b>211</b>	<b>31</b>	<b>13</b>	<b>41</b>
Roofing contractor	53		773	391	-11	4	5
<b>Total discontinued</b>	<b>53</b>		<b>773</b>	<b>391</b>	<b>-11</b>	<b>4</b>	<b>5</b>

### Shares and participations in associated companies

SEK M	2010		2009	
	Balance, January 1			
Balance, January 1			73	96
Acquisitions			5	2
Divestments			0	-4
Dividend			-34	-26
Share of profit in associated companies			6	11
Translation differences			-4	-6
Assets held for sale			-5	-
<b>Carrying amount, December 31</b>			<b>41</b>	<b>73</b>

## Note 8

### Expenses by nature

SEK M	2010		2009	
	Costs for raw materials, components, goods for resale, packaging material and energy and transport costs	Remuneration to employees	Depreciation/amortization and impairment losses	Other external costs related to sales, administration and research and development
Costs for raw materials, components, goods for resale, packaging material and energy and transport costs	-14,638	-7,480	-1,047	-1,966
Remuneration to employees	-7,480	-7,407	-	-1,130
Depreciation/amortization and impairment losses	-1,047	-	-	-1,911
Other external costs related to sales, administration and research and development	-1,966	-	-	-
Other operating income/expenses	-43	-	-	-193
Share of profit in associated companies	14	-	-	7
<b>Total</b>	<b>-25,160</b>			<b>-24,035</b>

## Note 9

### Exchange-rate differences that impact operating profit

SEK M	2010	2009
Net sales	0	-49
Cost of goods sold	9	104
Sales, administration and R&D costs	3	-2
Other operating income/operating expenses	26	-22
<b>Total</b>	<b>38</b>	<b>31</b>

## Note 10

### Government grants

SEK M	2010	2009
Grants received	5	8
<b>Total</b>	<b>5</b>	<b>8</b>

## Note 11

### Financial income and expenses

SEK M	2010	2009
Interest income from interest-bearing receivables	15	16
Exchange-rate gains, net	3	5
<b>Total financial income</b>	<b>18</b>	<b>21</b>
 <b>Financial expenses</b>		
Interest expenses on interest-bearing liabilities	-236	-411
<b>Total financial expenses</b>	<b>-236</b>	<b>-411</b>
<b>Total financial income and expenses</b>	<b>-218</b>	<b>-390</b>

## Note 12

### Income tax

SEK M	2010	2009
<i>Current tax expenses</i>		
Tax expenses for the period	-338	-240
Tax attributable to prior years	-14	62
<b>Total</b>	<b>-352</b>	<b>-178</b>
<i>Deferred tax expenses</i>		
Utilization/revaluation of losses carried forward	-159	70
Deferred tax expenses/income on changes in temporary differences	4	211
<b>Total</b>	<b>-155</b>	<b>281</b>
 Other taxes	-27	-44
<b>Total recognized tax expenses for continuing operations</b>	<b>-534</b>	<b>59</b>
<i>Discontinued operations</i>		
<i>Current tax expenses</i>		
Tax expenses for the period	-17	-18
Tax attributable to prior years	-1	-3
<i>Deferred tax expense/income</i>		
Utilization/revaluation of losses carried forward	45	52
Deferred tax expenses/income on changes in temporary differences	-40	-38
Other taxes	-2	-2
<b>Total recognized tax expenses for the Group</b>	<b>-549</b>	<b>50</b>
<i>Tax items recognized in other comprehensive income</i>		
Deferred tax on cash-flow hedges	-6	-23
Deferred tax on hedging of net investments	-235	-117
Deferred tax in translation differences	6	-20
<b>Total</b>	<b>-235</b>	<b>-160</b>
<i>Tax items recognized directly against equity</i>		
Tax on costs for rights issue	-	26
<i>Reconciliation of tax in the Group, continuing operations</i>		
Profit/loss before tax	1,818	344
Swedish income tax, 26.3%	-478	-90
Impact of other tax rates for foreign subsidiaries	-38	15
Non-deductible expenses/non-taxable revenue	17	-8
Amortization of goodwill	9	39
Impact of changed tax rates and tax regulations	-2	0
Reassessment of losses carried forward/temporary differences	-27	126
Tax attributable to prior years	12	21
<b>Total</b>	<b>-507</b>	<b>103</b>
Other taxes	-27	-44
<b>Recognized tax for continuing operations</b>	<b>-534</b>	<b>59</b>

At year-end 2010, the Group had losses carried forward in continuing operations of approximately SEK 3,600 M (4,800), of which about SEK 2,700 M (3,400) was taken into account when calculating deferred tax. The losses carried forward not capitalized include cases where uncertainty exists regarding the tax value.

The item remeasurement of losses carried forward/temporary differences was affected by deferred tax expenses on intangible assets and deferred tax income attributable to losses carried forward.

Of the losses carried forward, SEK 250 M falls due within the next five-year period.

## Note 13

### Non-controlling interests – profit and equity

SEK M	2010	2009	Non-controlling interest	
			Share of profit for the year	Equity
Trelleborg Kunwha Co. Ltd.	12	8	97	87
Other companies	9	2	20	7
<b>Total</b>	<b>21</b>	<b>10</b>	<b>117</b>	<b>94</b>

## Note 14

### Property, plant and equipment (PPE)

SEK M	2010	2009
Buildings	1,473	1,820
Land and land improvements	468	518
Plant and machinery	2,854	3,258
Equipment, tools, fixtures and fittings	379	439
New construction in progress and advance payments relating to PPE	435	568
<b>Total</b>	<b>5,609</b>	<b>6,603</b>

### Depreciation of property, plant and equipment by function

SEK M	2010	2009
Cost of goods sold	-765	-846
Selling expenses	-14	-17
Administrative expenses	-55	-54
R&D costs	-23	-27
Other operating expenses	-10	-13
<b>Total</b>	<b>-867</b>	<b>-957</b>
Of which discontinued operations	-22	-38

### Impairment loss of property, plant and equipment by function

SEK M	2010	2009
Cost of goods sold	-9	-85
Other operating expenses	-33	44
<b>Total</b>	<b>-42</b>	<b>-41</b>
Of which discontinued operations	-4	0

### 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 recognized as a financial liability.

Leasing costs for assets held through financial lease agreements amounted to SEK 0 M (1). Future lease payments for financial lease agreements fall due as follows:

SEK M	2010	2009
Year 1	2	3
Year 2–5	3	6
Later than 5 years	-	-

Leasing costs for assets held through operating lease agreements are classified as operating expenses, and amounted to SEK 145 M (153). Future payment commitments for non-cancelable lease agreements amounted to SEK 539 M (601) and fall due as follows:

SEK M	2010	2009
Year 1	123	138
Year 2–5	248	278
Later than 5 years	168	185

	Buildings		Land and land improvements		Plant and machinery		Equipment, tools, fixtures and fittings		New construction in progress and advance payments		Total PPE
SEK M	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010
Accumulated cost	3,268	3,665	508	564	10,010	10,817	1,718	1,908	481	633	15,985
Accumulated depreciation according to plan	-1,369	-1,421	-42	-51	-6,918	-7,289	-1,298	-1,439	-31	-32	-9,658
Accumulated revaluations	13	21	31	35	1	14	0	2	0	0	45
Accumulated impairment losses	-423	-445	-27	-30	-200	-284	-38	-32	-11	-33	-699
Assets held for sale	-16	-	-2	-	-39	-	-3	-	-4	-	-64
<b>Carrying amount</b>	<b>1,473</b>	<b>1,820</b>	<b>468</b>	<b>518</b>	<b>2,854</b>	<b>3,258</b>	<b>379</b>	<b>439</b>	<b>435</b>	<b>568</b>	<b>5,609</b>
Balance, January 1	1,820	1,866	518	543	3,258	3,499	439	499	568	730	6,603
Acquisitions	-	17	-	2	3	-	-	-	-	-	3
Divested operations	-135	-	-6	-	-100	-	-11	-	-6	-	-258
Capital expenditures	40	114	3	0	238	318	88	67	423	255	792
Capital expenditures, financial leasing	-	-	-	-	0	-	1	0	-	-	1
Divestments and disposals	-15	-8	-2	-6	-19	-12	-4	-6	-1	-4	-36
Depreciation according to plan for the year	-115	-125	-2	-3	-620	-683	-130	-145	0	-1	-867
Impairment losses for the year	-28	-7	-	0	-3	-29	-10	-1	-1	-4	-41
Reclassifications	64	26	8	0	375	292	46	41	-499	-372	-6
Translation difference for the year	-142	-63	-49	-18	-239	-127	-37	-16	-45	-36	-512
Assets held for sale	-16	-	-2	-	-39	-	-3	-	-4	-	-64
<b>Carrying amount</b>	<b>1,473</b>	<b>1,820</b>	<b>468</b>	<b>518</b>	<b>2,854</b>	<b>3,258</b>	<b>379</b>	<b>439</b>	<b>435</b>	<b>568</b>	<b>5,609</b>
The overall tax assessment value for the Group's Swedish properties was SEK 458 M (464), of which buildings accounted for SEK 369 M (377).											

## Note 15

### Intangible assets

SEK M	2010	2009
Capitalized expenditure for development work	156	256
Capitalized expenditure for IT	105	134
Concessions, patents, licenses, trademarks and similar rights	313	353
Goodwill	9,395	10,478
Market and customer-related intangible assets	8	16
Advance payments related to intangible assets	3	45
<b>Total</b>	<b>9,980</b>	<b>11,282</b>

#### Impairment testing of goodwill and other assets

Goodwill and other assets are 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 matching the business areas applied in segment reporting. For a more detailed presentation of the Group's business areas, see pages 24-31.

The recoverable amount has been determined on the basis of calculations of value in use. These calculations are based on an internal assessment of the next five years and beyond with an assumed annual growth rate of 2 percent (2). 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 7.7 percent (7.7) after tax was applied to all business areas since the risk profile is considered to be similar. Reconciliation was conducted against an external assessment of a reasonable cost of capital. The debt/

equity ratio was assumed to be 65 percent (75). The calculations indicated no need for impairment in any of the business areas. A sensitivity analysis shows that, with a rate of growth reduced by fifty percent beyond the next five years and an increase in the cost of capital of 1 percentage point to 8.7 percent after tax, there would still be no need for impairment for any of the business areas.

#### Impairment losses on intangible assets

SEK M	2010	2009
R&D costs	-16	0
Other operating expenses	-12	-5
<b>Total</b>	<b>-28</b>	<b>-5</b>
Of which discontinued operations	-8	-

#### Goodwill by segment

##### Planned residual value

SEK M	2010	2009
Trelleborg Enginereed Systems	2,714	3,136
Trelleborg Automotive	1,434	1,577
Trelleborg Sealing Solutions	4,914	5,407
Trelleborg Wheel Systems	333	358
<b>Total</b>	<b>9,395</b>	<b>10,478</b>

SEK M	Internally generated intangible assets		Acquired intangible assets										
	Capitalized expenditure for development work	Capitalized expenditure for IT	Concessions, patents and licenses	Goodwill	Market and customer-related intangible assets	Advance payments related to intangible assets	Total intangible assets	2010	2009	2010	2009	2010	2009
Accumulated cost	621	689	500	521	577	642	10,171	10,707	28	33	9	51	11,906
Accumulated amortization according to plan	-406	-382	-384	-387	-260	-285	-430	-	-20	-17	-6	-6	-1,506
Accumulated impairment losses	-59	-51	-9	0	-4	-4	-167	-229	-	-	-	-	-284
Assets held for sale	-	-	-2	-	-	-179	-	-	-	-	-	-	-181
<b>Carrying amount</b>	<b>156</b>	<b>256</b>	<b>105</b>	<b>134</b>	<b>313</b>	<b>353</b>	<b>9,395</b>	<b>10,478</b>	<b>8</b>	<b>16</b>	<b>3</b>	<b>45</b>	<b>9,980</b>
Balance, January 1	256	330	134	138	353	368	10,478	10,901	16	22	45	74	11,282
Acquisitions	-	-	-	2	6	124	34	-	0	-	-	-	126
Divested operations	-	-	0	-	-1	-	-20	-	-	-	-	-	-21
Capital expenditures	26	41	14	28	6	2	-	-	-	-	1	1	47
Divestments and disposals	-3	-1	-5	0	-2	-1	-	-	-	-	-5	-	-15
Amortization according to plan for the year	-79	-93	-50	-56	-13	-13	-	-	-5	-5	-	-	-167
Impairment losses for the year	-16	-5	-9	-	-	-3	-	-	-	-	-	-	-28
Reclassifications	-	-	34	30	6	11	-	0	-2	0	-32	-28	6
Translation difference for the year	-28	-16	-11	-6	-38	-20	-1,005	-457	-1	-1	-6	-2	-1,089
Assets held for sale	-	-	-2	-	-	-179	-	-	-	-	-	-	-181
<b>Carrying amount</b>	<b>156</b>	<b>256</b>	<b>105</b>	<b>134</b>	<b>313</b>	<b>353</b>	<b>9,395</b>	<b>10,478</b>	<b>8</b>	<b>16</b>	<b>3</b>	<b>45</b>	<b>9,980</b>
<b>Amortization for the year, by function</b>													
Cost of goods sold	-	-1	-5	-6	-2	-2	-	-	-	-	-	-7	-9
Selling expenses	0	-	-1	-4	-2	-3	-	-	-4	-	-	-7	-11
Administrative expenses	-	-	-43	-45	-6	-5	-	-	-1	-1	-	-	-50
R&D costs	-79	-92	-1	-1	-2	-2	-	-	-	-	-	-82	-95
Other operating expenses	-	-	0	0	-1	-1	-	-	-	-	-	-1	-1
<b>Total amortization</b>	<b>-79</b>	<b>-93</b>	<b>-50</b>	<b>-56</b>	<b>-13</b>	<b>-13</b>	<b>-</b>	<b>-</b>	<b>-5</b>	<b>-5</b>	<b>-</b>	<b>-147</b>	<b>-167</b>
Of which discontinued operations	-1	-1	-1	-1	0	0	-	-	-	-	-	-2	-2

## Note 16

### Financial non-current assets

SEK M	2010	2009
Plan assets	29	43
Financial assets at fair value through profit and loss	20	20
Loan receivable	116	6
Derivative instruments (Note 23)	35	–
Other non-current receivables	18	18
<b>Total</b>	<b>218</b>	<b>87</b>

Carrying amount corresponds to fair value.

## Note 17

### Parent Company and Group holdings of shares and participations in Group companies<sup>1)</sup>

Company	Registration number	Domicile/country	No. of shares	Owner-ship percent	Carrying amount, sek m
Trelleborg Sealing Solutions Belgium SA		Belgium	100	100	51
Trelleborg do Brasil Soluções em Vedação Ltda		Brazil	8,307,200	100	19
Trelleborg Sealing Solutions Bulgaria EOOD		Bulgaria	10,000	100	16
Trelleborg Sealing Solutions Czech s.r.o		Czech Republic	0	100	48
Trelleborg Sealing Solutions Hong Kong Ltd		China	484,675	100	1
Trelleborg Sealing Solutions Hungary Kft		Hungary	0	100	1
Trelleborg Sealing Solutions o.o.o.		Russia	0	100	2
Trelleborg Sealing Solutions Korea Ltd		South Korea	57,750	75	4
Trelleborg Sealing Solutions Japan KK		Japan	333	100	99
Trelleborg Sealing Solutions Polska Sp.z.o.o		Poland	12,800	100	6
Trelleborg Sealing Solutions Finland Oy		Finland	15	100	75
Trelleborg Sealing Solutions Switzerland SA		Switzerland	1,000	100	47
Trelleborg Sealing Solutions Sweden AB	556204-8370	Jönköping	2,500	100	167
Lebela Förvaltnings AB	556054-1533	Trelleborg	60,000	100	35
Trelleborg Sealing Solutions Austria GmbH		Austria	0	100	28
Trelleborg Tigveni SRL		Romania	700	100	8
Trelleborg Tyres Lanka (Private) Ltd		Sri Lanka	16,272,537	100	91
Trelleborg Wheel Systems Liepaja SIA		Latvia	8,502,000	100	106
Trelleborg Wheel Systems Argentina S.A		Argentina	1,850,000	100	5
Chemtrading Alpha Holding AG		Switzerland	100	100	3
Dormvilio AB	556742-8767	Trelleborg	1,000	100	
Trelleborg Wheel Systems China Holding AB	556739-6998	Trelleborg	1,000	100	
Trelleborg Automotive Shanghai Holdings AB	556742-3742	Trelleborg	1,000	100	
Dormvilio AB	556742-8775	Trelleborg	1,000	100	
Dormvitre AB	556728-8716	Trelleborg	1,000	100	54
Trelleborg Industrial Products Finland Oy		Finland	0	100	203
MHT Takentreprenören i Malmö AB	556170-2340	Malmö	1,000	100	
Trelleborg Automotive Czech Republic S.r.o		Czech Republic	100,000	100	19
Trelleborg Automotive China Holding AB	556052-1485	Trelleborg	4,500,000	100	19
Trelleborg Automotive Group AB	556730-4448	Trelleborg	1,000	100	2
Trelleborg Automotive Dej S.R.L		Romania	2,775	100	141
Trelleborg Engineered Systems Lithuania UAB		Lithuania	232,600	100	70
Trelleborg Sealing Profiles Lithuania UAB		Lithuania	100	100	
Trelleborg Corporation		USA	2,592	100	3,211
Trelleborg Coated Systems US Inc		USA	1,000	100	
Trelleborg Engineered Systems Italy SpA		Italy	25,600,000	100	
Trelleborg Sealing Solutions US, Inc		USA	7,500	100	
Trelleborg Offshore US Inc		USA	1,000	100	
Trelleborg Wheel Systems Americas Inc		USA	1,000	100	
Trelleborg Automotive USA Inc		USA	100,000	100	
Trelleborg YSH SA de CV		Mexico	10,896,338	100	
Trelleborg Croatia D.O.O		Croatia	0	100	2
Trelleborg Engineered Systems China Holding AB	556223-5910	Trelleborg	1,000	100	11
Trelleborg Engineered Systems Group AB	556055-7711	Trelleborg	1,250	100	5
Trelleborg Engineered Systems Qingdao Holding AB	556715-4991	Trelleborg	1,000	100	39
Trelleborg Holding AB	556212-8255	Trelleborg	1,000	100	741
Trelleborg Sealing Profiles Sweden AB	556026-2148	Trelleborg	12,000	100	
Trelleborg Automotivo do Brasil Industria e Comercio de autopecas Ltda		Brazil	48,214,017	100	
Trelleborg Automotive Spain SA		Spain	600,000	100	
Trelleborg Industrial AVS AB	556020-2862	Sjöbo	500	100	5
Trelleborg International AB	556033-0754	Trelleborg	1,500	100	3,152
Trelleborg Sealing Solutions Germany GmbH		Germany	1	100	
Trelleborg Wheel Systems GmbH		Germany	2	100	
Trelleborg Automotive Germany GmbH		Germany	2	100	
Trelleborg Sealing Profiles Germany GmbH		Germany	2	100	
Trelleborg Wheel Systems Belgium NV		Belgium	11,075,114	100	
Trelleborg Holding Danmark A/S		Denmark	21,000	100	630

Company	Registration number	Domicile/country	No. of shares	Owner-ship percent	Carrying amount, sek m
<b>Trelleborg Holding France SAS</b>		France	586,782	100	1,119
Trelleborg Industrie SAS		France	649,800	100	
Trelleborg Sealing Solutions France SAS		France	8,427	100	
Trelleborg Reims SAS		France	100,200	100	
Trelleborg Kunwha Co Ltd		South Korea	3,570,000	51	
Trelleborg Modyn SAS		France	720,000	100	
Trelleborg Cerkezky Otomotiv Sanayi Ve Ticaret AS		Turkey	7,500,000	100	
<b>Trelleborg Holdings Italy S.r.l</b>		Italy	0	100	1,163
Trelleborg Sealing Solutions Italia SpA		Italy	1,112,140	100	
<b>Trelleborg Holding Norge AS</b>		Norway	10,000	100	
Trelleborg Offshore Norway AS		Norway	7,000	100	
<b>Trelleborg Holdings (UK) Ltd</b>		UK	20,000,000	100	2,987
Trelleborg Sealing Solutions UK Ltd		UK	10,050,000	100	
Trelleborg Industrial Products UK Ltd		UK	100	100	
Trelleborg Offshore UK Ltd		UK	41,590	100	
<b>Trelleborg Hong Kong Holdings Ltd</b>		China	10,000	100	61
Wuxi Trelleborg Vibration Isolators Co Ltd		China	0	100	
<b>Trelleborg Industri AB</b>	556129-7267	Trelleborg	725,000	100	197
<b>Trelleborg Insurance Ltd</b>		Bermuda	50,000	100	118
<b>Trelleborg International BV</b>		Netherlands	41	100	3,150
Trelleborg Pipe Seals Lelystad BV		Netherlands	30,000	100	
Trelleborg Wheel Systems Italia SpA		Italy	11,000	100	
<b>Trelleborg Marine Systems Japan Kabushiki Kaisha</b>		Japan	20	100	2
<b>Trelleborg Material &amp; Mixing Lesina s.r.o.</b>		Czech Republic	0	100	12
<b>Trelleborg Moulded Components Wuxi Holding AB</b>	556715-4983	Trelleborg	1,000	100	28
<b>Trelleborg Protective Products AB</b>	556010-7145	Trelleborg	100,000	100	26
<b>Trelleborg Treasury AB</b>	556064-2646	Stockholm	5,000	100	15,001
<b>Trelleborg Waterproofing AB</b>	556739-6980	Trelleborg	200,000	100	20
<b>Trelleborg Wheels AB</b>	556056-2620	Sävsjö	40,000	100	10
<b>Trelleborg Wuxi Holding AB</b>	556119-8820	Trelleborg	25,000	100	96
<b>Trelleborg Automotive Kalmar AB</b>	556325-7442	Kalmar	60,000	100	235
<b>Trelleborg China Holding AB</b>	556030-7398	Trelleborg	200,000	100	43
<b>Trelleborg Forsheda AB</b>	556052-2996	Värnamo	8,640,000	100	643
<b>Total Parent Company</b>					<b>34,027</b>

<sup>1)</sup> The table shows directly owned subsidiaries and indirectly owned companies with annual sales exceeding SEK 250 M.

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

## Note 18

### Deferred tax assets/tax liabilities

SEK M	Deferred tax assets	Deferred tax liabilities	Net	2009		Net
				Deferred tax assets	Deferred tax liabilities	
Intangible assets	13	342	-329	9	222	-213
Land and buildings	68	152	-84	86	167	-81
Machinery and equipment	126	163	-37	152	192	-40
Financial non-current assets	4	8	-4	9	12	-3
Inventories	78	2	76	89	2	87
Current receivables	12	4	8	17	4	13
Pension provisions	108	11	97	145	15	130
Other provisions	71	30	41	155	30	125
Non-current liabilities	14	3	11	16	0	16
Current liabilities	109	5	104	130	7	123
Losses carried forward	838	0	838	1,051	0	1,051
<b>Total</b>	<b>1,441</b>	<b>720</b>	<b>721</b>	<b>1,859</b>	<b>651</b>	<b>1,208</b>
Offsetting of assets/liabilities	-400	-400		-399	-399	
<b>Total</b>	<b>1,041</b>	<b>320</b>	<b>721</b>	<b>1,460</b>	<b>252</b>	<b>1,208</b>
Less tax receivables /liabilities held for sale	-3	-5	2			
<b>Total</b>	<b>1,038</b>	<b>315</b>	<b>723</b>			

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

### Change in deferred tax on temporary differences and losses carried forward

	Balance, January 1		Recognized in profit and loss		Recognized in other comprehensive income/directly against equity		Acquired/divested tax assets/liabilities		Translation differences		Less tax receivables /liabilities held for sale		Balance, December 31, continuing operations	
SEK M	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Intangible assets	-213	-242	-148	17			32	12					-329	-213
Land and buildings	-81	-66	-11	-18			8	3					-84	-81
Machinery and equipment	-40	-72	-1	26			4	6	3				-34	-40
Financial non-current assets	-3	1	228	123	-230	-127			1	0			-4	-3
Inventories	87	89	-3	3			-8	-5	1				77	87
Current receivables	13	8	-5	15	1	-10			-1	0	1		9	13
Pension provisions	130	132	-21	4			-12	-6					97	130
Other provisions	125	198	-62	-65			-9		-13	-8			41	125
Non-current liabilities	16	14	-5	2									11	16
Current liabilities	123	92	-5	58	-6	-23	-1		-7	-4			104	123
Losses carried forward	1,051	943	-113	122		26*	-9		-91	-40	-3		835	1,051
Exchange-rate differences			-4	8					4	-8			0	0
<b>Total</b>	<b>1,208</b>	<b>1,097</b>	<b>-150</b>	<b>295</b>	<b>-235</b>	<b>-134</b>	<b>-19</b>	<b>0</b>	<b>-83</b>	<b>-50</b>	<b>2</b>	<b>-</b>	<b>723</b>	<b>1,208</b>
Less discontinued operations			-5	-14										
<b>Total</b>	<b>-155</b>	<b>281</b>												

\* Tax items recognized directly against equity relate to tax on costs for the rights issue.

## Note 19

### Inventories

SEK M	2010	2009
Raw materials and consumables	1,119	1,025
Work in progress	497	509
Finished products and goods for resale	1,798	1,877
Contracted work in progress	1	5
Advances to suppliers	18	9
<b>Total</b>	<b>3,433</b>	<b>3,425</b>

Impairment of obsolete inventories amounted to SEK 265 M (308).

## Note 20

### Current operating receivables

SEK M	2010	2009
Accounts receivable	4,197	4,316
Provision for bad debts	-95	-124
Bills receivable	76	52
Operating receivables, associated companies	5	6
Other current receivables	345	379
Derivative instruments (Note 23)	51	0
Prepaid expenses and accrued income (Note 21)	520	641
<b>Total</b>	<b>5,099</b>	<b>5,270</b>

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

### Age analysis of accounts receivable

SEK M	2010	2009
Receivable not yet due	3,619	3,661
Due, but not impaired:		
<30 days	357	386
31–60 days	90	85
61–90 days	22	29
>90 days	109	155
<b>Total</b>	<b>4,197</b>	<b>4,316</b>
Provision for bad debts	-95	-124
<b>Total</b>	<b>4,102</b>	<b>4,192</b>

### Provision for bad debts

SEK M	2010	2009
Opening balance	124	124
New provisions recognized in profit and loss	24	38
Utilization of reserve attributable to identified bad debt loss	-24	-28
Reversals recognized in profit and loss	-21	-8
Other	6	2
Translation difference	-8	-4
Assets held for sale	-6	-
<b>Closing balance</b>	<b>95</b>	<b>124</b>

## Note 21

### Prepaid expenses and accrued income

SEK M	2010	2009
Interest	0	0
Pension costs	3	11
Tools	131	206
Derivative instruments (Note 23)	4	6
Other	382	418
<b>Total</b>	<b>520</b>	<b>641</b>

## Note 22

### Interest-bearing receivables

SEK M	2010	2009
Interest-bearing receivables	–	9
Loan receivables	7	2
Derivative instruments (Note 23)	93	64
Other financial assets at fair value through profit and loss	0	3
<b>Total</b>	<b>100</b>	<b>78</b>

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

## Note 23

### 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, FRA:s 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/option contracts or basis swap contracts.

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

Specification of derivatives in the balance sheet, SEK M	2010	2009
Financial non-current assets	35	–
Prepaid expenses and accrued income	4	6
Other current receivables	51	0
Interest-bearing receivables	93	64
<b>Total receivables, financial derivatives</b>	<b>183</b>	<b>70</b>
Other non-current liabilities	53	51
Accrued expenses and prepaid income	13	5
Other current liabilities	140	181
Interest-bearing liabilities	63	72
<b>Total liabilities, financial derivatives</b>	<b>269</b>	<b>309</b>

For credit exposure in derivatives, see Note 28.

SEK M	2010		2009	
	Assets Fair value	Liabilities Fair value	Assets Fair value	Liabilities Fair value
Interest-rate swaps – cash-flow hedging	13	146	–	231
Foreign-exchange forwards – cash-flow hedging	4	13	6	5
Foreign-exchange forwards – net investment hedging	81	5	24	44
Basis swap contract – net investment hedging	22	–	–	–
Foreign-exchange forwards – financing of subsidiaries	17	61	40	29
Foreign-exchange forwards – held for trading purposes	46	44	–	–
<b>Total</b>	<b>183</b>	<b>269</b>	<b>70</b>	<b>309</b>

The nominal amount of interest-rate swaps outstanding totaled SEK 9,003 M (11,740).

### Derivatives with hedge accounting

#### Cash-flow hedging – Interest-rate swaps

In the closing balance of the hedging reserve in equity, a negative SEK 36 M (neg: 62) before tax related to the fair value of interest-rate swaps.

At unchanged interest and exchange rates, this value will cause earnings to decline by SEK 2 M in 2011, by SEK 39 M in 2012 and by SEK 7 M in 2013 and improve earnings by SEK 1 M in 2014, by SEK 8 M in 2015 and by SEK 3 in 2016.

#### 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 recognized in the hedging reserve amounted to a negative net of SEK 3 M (0).

At unchanged exchange rates, this value will cause operating profit to decline by SEK 3 M in 2011.

### Sensitivity analysis – Financial instruments

Sensitivity analyses relating to interest-rate risks and translation exposure are described in the section "Financial risk management" on pages 37-39.

If cash-flow hedges attributable to transaction exposure were valued using exchange rates applicable on December 31, 2009, the fair value would amount to a negative SEK 1 M (neg: 7), of which a negative SEK 1 M (neg: 4) would be included in the hedging reserve.

If closing balances relating to accounts receivable and accounts payable, taking into consideration implemented hedging measures, were valued using exchange rates applicable on December 31, 2009, the net debt would decrease by SEK 4 M (2).

Having considered the implemented hedging measures, the Group has no currency risk in other financial receivables and liabilities in foreign currencies.

## Note 24

### Cash and cash equivalents

SEK M	2010	2009
Current bank investments	101	–
Cash and bank balances	731	591
<b>Total</b>	<b>832</b>	<b>591</b>

For credit exposure in cash and cash equivalents, see Note 28.

## Note 25

### Assets and liabilities held for sale

Assets and liabilities held for sales relate to the sale of the roofing business unit, which Group Management and the Board of Directors decided to sell. The transaction was concluded in January 2011.

#### Assets held for sale

SEK M	2010	2009
Property, plant and equipment	64	–
Intangible assets	181	–
Participations in associated companies	5	–
Deferred tax assets	3	–
Other non-current operating receivables	3	–
Inventories	97	–
Accounts receivable	75	–
Other non-current operating receivables	8	–
Current tax assets	6	–
Interest-bearing receivables	18	–
Cash and cash equivalents	6	–
<b>Total</b>	<b>466</b>	<b>–</b>

#### Liabilities held for sale

SEK M	2010	2009
Deferred tax liability	5	–
Accounts payable	74	–
Other current liabilities	44	–
Current tax liability	7	–
<b>Total</b>	<b>130</b>	<b>–</b>

## Discontinued operations

In addition to the roofing business unit (Waterproofing) recognized above, the business unit for hoses for light vehicles (Fluid Solutions) is included in discontinued operations.

#### Analysis of results from discontinued operations

SEK M	2010	2009
Net sales	1,582	2,290
Cost of goods sold	-1,292	-2,014
<b>Gross profit</b>	<b>290</b>	<b>276</b>
Selling expenses	-108	-131
Administrative expenses	-46	-75
Research & development costs	-29	-53
Other operating income	65	58
Other operating expenses	-248	-40
Share of profit or loss in associated companies	-8	4
<b>Operating profit/loss</b>	<b>-84</b>	<b>39</b>
Financial income	0	1
Financial expenses	-2	-15
<b>Profit/loss before tax</b>	<b>-86</b>	<b>25</b>
Tax	-15	-9
<b>Net profit/loss</b>	<b>-101</b>	<b>16</b>

Translation differences recognized in other comprehensive income amounted to a negative SEK 14 M (neg: 9). For further information, refer to Note 35.

## Note 26

### Equity

#### Specification of other reserves

SEK M	Hedging reserve		Translation reserve		Total
	2010	2009	2010	2009	
Opening balance, translation differences	-47	-110	690	1,144	643
<b>Cash-flow hedging</b>					
Fair value	8	20			8
Tax on fair value	-2	-5			-2
Transfers to income statement	16	66			16
Tax on transfers to income statement	-4	-18			-4
Translation differences for the year			-1,880	-783	-1,880
Hedging of net investment after tax			657	329	657
<b>Closing balance</b>	<b>-29</b>	<b>-47</b>	<b>-533</b>	<b>690</b>	<b>-562</b>

Accumulated translation differences are recorded from January 1, 2004.

Of transfers from the hedging reserve to profit and loss during 2010, SEK 16 M (12) caused a decline in the Group's financial interest expenses and SEK 0 M (54) caused a decline in operating profit.

The Board of Directors and President propose that a dividend of SEK 1.75 be paid for 2010 (0.50), totaling SEK 474 M (136).

Trelleborg AB's share capital at December 31, 2010 amounted to SEK 2,620,360,569, distributed among 271,071,783 shares, with a par value of SEK 9.67 each.

Class of share	No. of shares	% of total	No. of votes	% of total
Series A	28,500,000	10.51	285,000,000	54.02
Series B	242,571,783	89.49	242,571,783	45.98
<b>Total</b>	<b>271,071,783</b>	<b>100.00</b>	<b>527,571,783</b>	<b>100.00</b>
Change in total number of shares			2010	2009
January 1			271,071,783	90,357,261
Change during the year			–	180,714,522
<b>December 31</b>	<b>271,071,783</b>	<b>271,071,783</b>	<b>271,071,783</b>	<b>271,071,783</b>

No treasury shares are held.

## Note 27

### Interest-bearing liabilities

#### Non-current interest-bearing liabilities

SEK M	2010	2009
Liabilities to credit institutions	4,318	6,504
Other interest-bearing liabilities	25	12
<b>Total</b>	<b>4,343</b>	<b>6,516</b>

#### Current interest-bearing liabilities

SEK M	2010	2009
Liabilities to credit institutions	2,849	2,095
Bank overdraft facilities	241	356
Other interest-bearing liabilities	9	6
Derivative instruments (Note 23)	63	72
<b>Total</b>	<b>3,162</b>	<b>2,529</b>
<b>Total interest-bearing liabilities</b>	<b>7,505</b>	<b>9,045</b>

The recognized amounts for interest-bearing liabilities represent an accurate estimation of their fair value.

**The Group's outstanding interest-bearing liabilities at year-end 2010, adjusted for possible derivative financial instruments, have the following currency distribution, average effective interest rates and fixed-interest terms**

	Volume, SEK M	Effective interest rate, %	Fixed-interest term adjusted for possible derivatives. No. of days		
SEK M	2010	2009	2010	2009	2010
SEK	-835	-25	2.1	-0.2	83
USD	2,333	2,159	1.9	3.3	431
EUR	4,345	5,279	2.5	2.5	473
GBP	836	838	1.9	2.2	356
Other	826	794	1.1	2.5	66
<b>Total</b>	<b>7,505</b>	<b>9,045</b>	<b>2.1</b>	<b>2.7</b>	<b>446</b>
					<b>435</b>

#### The Group's interest-bearing liabilities (utilized amounts at balance-sheet date)

	2010 SEK M	2010 Expires, year	2009 SEK M	2009 Expires, year
<b>Non-current</b>				
Syndicated loan, EUR tranche 723 M	2,196	2012	1,776	2012
Syndicated loan, USD tranche 580 M	1,349	2012	2,058	2012
Syndicated loan, EUR tranche 27 M	-	-	66	2011
Syndicated loan, USD tranche 20 M	-	-	70	2011
Bilateral credit facility, EUR 30 M	-	-	311	2011
Bilateral loan, EUR 30 M	270	2012	311	2012
Bilateral loan, EUR 30 M	-	-	311	2011
Bilateral loan, EUR 50 M	-	-	518	2011
Bond loan, EUR 50 M	451	2015	518	2015
Bond loan, EUR 40 M	-	-	414	2011
Bond loan, SEK 100 M	-	-	100	2011
Other non-current loans	52	2012–2024	51	2011–2012
Other interest-bearing liabilities	25	2012–2015	12	2011
<b>Total non-current liabilities</b>	<b>4,343</b>		<b>6,516</b>	
<b>Current</b>				
Syndicated loan, EUR tranche 27 M	82	2011	-	-
Syndicated loan, USD tranche 20 M	46	2011	-	-
Bilateral credit facility, EUR 30 M	270	2011	-	-
Bilateral loan, EUR 30 M	270	2011	-	-
Bilateral loan, EUR 50 M	451	2011	-	-
Bond loan, EUR 40 M	360	2011	-	-
Bond loan, SEK 100 M	100	2011	-	-
Bond loan, SEK 260 M	-	-	260	2010
Commercial paper program	1,139	2011	1,599	2010
Overdraft facilities	241	2011	356	2010
Other current loans	131	2011	236	2010
Other interest-bearing liabilities	9	2011	6	2010
Derivative instruments	63	2011	72	2010
<b>Total current liabilities</b>	<b>3,162</b>		<b>2,529</b>	
<b>Total</b>	<b>7,505</b>		<b>9,045</b>	

### Committed confirmed and uncommitted confirmed credit facilities

SEK M	2010			2009		
	Total	Utilized	Unutilized	Total	Utilized	Unutilized
<i>Committed confirmed credit facilities</i>						
Syndicated loan EUR 750 M + USD 600 M (expire 2011/2012)	10,841	3,672	7,169	12,100	3,970	8,130
Bilateral credit facility EUR 191.5 M (expires 2016)	1,726	-	1,726	1,985	-	1,985
Bilateral credit facility EUR 50 M (expires 2016)	451	-	451	518	-	518
Bilateral credit facility EUR 50 M (expires 2014)	451	-	451	518	-	518
Bilateral credit facility EUR 80 M (expires 2015–2019)	721	-	721	-	-	-
Bilateral credit facilities (expire 2011)	288	276	12	811	311	500
Overdraft facilities (expire 2011)	279	34	245	297	133	164
<b>Total</b>	<b>14,757</b>	<b>3,982</b>	<b>10,775</b>	<b>16,229</b>	<b>4,414</b>	<b>11,815</b>

#### Uncommitted confirmed credit facilities

Overdraft facilities	1,386	207	1,179	1,543	223	1,320
----------------------	-------	-----	-------	-------	-----	-------

In addition to the above credit facilities, the Group also had the use of unconfirmed credit facilities amounting to approximately SEK 700 M at year-end 2010. The syndicated loan agreement includes certain financial clauses pertaining to a debt/equity ratio that may not be exceeded and a certain interest-coverage ratio that must be maintained if a specific debt/equity ratio is exceeded. The same financial clauses are also included in some of the Group's loan and credit facility agreements. At year-end 2010, there was sufficient headroom in relation to these terms.

## Note 28

### Financial risk management

For a description of the Group's financial risks and policies regarding financial risks, see the "Risk management" section on pages 34–39.

#### Financial credit risk exposure

The Treasury Policy contains a special counterparty regulation specifying the maximum credit risk exposure to various counterparties. Follow-up in relation to credit limits is conducted on an ongoing basis.

Counterparties have been subdivided into three categories – A, B and C. Category A contains counterparties and their fully guaranteed subsidiaries that hold Issuer Ratings from two of the following three rating institutes with a minimum of the following ratings or better: Moody's (Aa3/stab/P-1), Standard & Poor's (AA-/stab/A-1), Fitch (AA-/stab/F1). Loans to institutions in category A may not exceed SEK 1,000 M or the corresponding amount, including the value of unrealized gains in derivative instruments. Category B comprises counterparties and their fully guaranteed subsidiaries that cannot be included in category A and that hold an Issuer Rating from two of the following three rating institutes with a minimum of the following rating or better: Moody's (A3/stab/P-1), Standard & Poor's (A-/stab/A-1), Fitch (A-/stab/F1). Counterparties in category B may borrow a maximum of SEK 500 M or the corresponding amount, including the value of unrealized gains in derivative instruments, from the Trelleborg Group. Category C encompasses counterparties outside categories A and B that the Group requires to fulfill its operational needs. Exposure to counterparties in category C may not exceed SEK 50 M per counterparty.

The table below presents the Group's credit risk exposure for interest-bearing receivables, cash and cash equivalents and derivative instruments at December 31, 2010 subdivided by category (SEK M):

Category	Interest-bearing receivables		Cash and cash equivalents		Derivative instruments – unrealized gains, gross		Total
	2010	2009	2010	2009	2010	2009	
A	0	217	159	68	15	285	174
B	3	3	207	177	113	54	323
C	122	18	408	255	0	0	530
<b>Total</b>	<b>125</b>	<b>21</b>	<b>832</b>	<b>591</b>	<b>181</b>	<b>69</b>	<b>1 138</b>
							<b>681</b>

The total credit exposure in category C at year-end 2010 was divided among more than 35 counterparties. The total credit exposure amounted to less than SEK 50 M with two exceptions: 1) SEK 101 M was placed in an agent's deposit account to cover the purchase consideration for the acquisition of PPL Polyurethane Products Ltd. The transaction was completed on January 4, 2011, when the seller received payment. 2) SEK 55 M relates to the accumulated balance at China Citic Bank, of which a significant portion comprised payments en route.

Credit risk exposure associated with derivative instruments is established as the fair value on the balance-sheet date. On December 31, 2010, the total counterparty risk associated with derivative instruments (calculated as net receivable per counterparty) was SEK 84 M (0), taking into account ISDA agreements.

None of these adequate financial assets were renegotiated in the past year, nor have they matured or been impaired. With the exception of what was described above, no credit limits were exceeded in 2010 or 2009 and the management does not anticipate any losses due to non-payment by these counterparties.

Cont.

## ► Cont. Note 28

**Liquidity analysis for financial instruments**

The table below shows the Group's financial liabilities and the net settlement of derivative instruments comprising financial liabilities, subdivided into the periods remaining on the balance-sheet date until the agreed date of maturity. The amounts stated in the table comprise contractual, undiscounted cash flows.

**At December 31, 2010**

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowing, incl. interest	-3,249	-4,564	-4	-7,817
Interest-rate swaps with negative fair value	-93	-53	-	-146
Accounts payable	-3,154	-	-	-3,154
<b>Total</b>	<b>-6,496</b>	<b>-4,617</b>	<b>-4</b>	<b>-11 117</b>
Accounts receivable	4,102	-	-	4,102
Interest-rate swaps with positive fair value	-	13	-	13
<b>Net flow</b>	<b>-2,394</b>	<b>-4,604</b>	<b>-4</b>	<b>-7 002</b>

**At December 31, 2009**

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowing, incl. interest	-2,636	-6,953	-30	-9,619
Interest-rate swaps with negative fair value	-188	-188	-	-376
Accounts payable	-2,976	-	-	-2,976
<b>Total</b>	<b>-5,800</b>	<b>-7,141</b>	<b>-30</b>	<b>-12,971</b>
Accounts receivable	4,192	-	-	4,192
Interest-rate swaps with positive fair value	69	76	-	145
<b>Net flow</b>	<b>-1,539</b>	<b>-7,065</b>	<b>-30</b>	<b>-8,634</b>

The table below shows the Group's financial derivative instruments that will be settled gross, subdivided into the periods remaining on the balance-sheet date until the agreed date of maturity. The amounts stated in the table comprise contractual, undiscounted cash flows.

**At December 31, 2010**

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Foreign-exchange contracts				
-outflow	-26,052	-	-	-26,052
-inflow	26,082	-	-	26,082
Basis swap contracts				
-outflow	-8	-731	-	-739
-inflow	15	762	-	777
<b>Total</b>	<b>37</b>	<b>31</b>	<b>0</b>	<b>68</b>

**At December 31, 2009**

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Foreign-exchange contracts				
-outflow	-8,482	-	-	-8,482
-inflow	8,475	-	-	8,475
<b>Total</b>	<b>-7</b>	<b>0</b>	<b>0</b>	<b>-7</b>

**Note 29****Financial instruments by category and measurement level**

A description of each category and the calculation of fair value are presented in the section "Accounting policies".

At December 31, 2010	Assets at fair value through profit and loss			Derivatives used for hedging purposes		
	Loan receivable and accounts receivable	Carrying amount	Measurement level	Carrying amount	Measurement level	Total
<i>Assets in the balance sheet</i>						
Derivative instruments	-	63	2	120	2	183
Financial non-current assets	116	20	2	-	-	136
Accounts receivable	4,102	-	-	-	-	4,102
Interest-bearing receivables	7	0	-	-	-	7
Cash and cash equivalents	731	101	2	-	-	832
<b>Total</b>	<b>4,956</b>	<b>184</b>	<b>120</b>	<b>120</b>	<b>5,260</b>	
<i>Liabilities in the balance sheet</i>						
Derivative instruments	-	105	2	164	2	269
Interest-bearing non-current liabilities	4,343	-	-	-	-	4,343
Interest-bearing current liabilities	3,162	-	-	-	-	3,162
Accounts payable	3,154	-	-	-	-	3,154
<b>Total</b>	<b>10,659</b>	<b>105</b>	<b>164</b>	<b>164</b>	<b>10,928</b>	

The measurement of all financial assets and liabilities at fair value on the balance-sheet date was based on observable data (Level 2 in accordance with the fair value hierarchy).

	At December 31, 2009		Assets at fair value through profit and loss		Derivatives used for hedging purposes	
	Loan receivable and accounts receivable	Carrying amount	Measurement level	Carrying amount	Measurement level	Total
<i>Assets in the balance sheet</i>						
Derivative instruments	-	40	2	30	2	70
Financial non-current assets	6	20	2	-	-	26
Accounts receivable	4,192	-	-	-	-	4,192
Interest-bearing receivables	11	3	2	-	-	14
Cash and cash equivalents	591	-	-	-	-	591
<b>Total</b>	<b>4,800</b>	<b>63</b>	<b>30</b>	<b>30</b>	<b>4,893</b>	
<i>Liabilities in the balance sheet</i>						
Other financial liabilities	6,516	-	-	-	-	6,516
Interest-bearing non-current liabilities	2,529	-	-	-	-	2,529
Interest-bearing current liabilities	2,976	-	-	-	-	2,976
<b>Total</b>	<b>12,021</b>	<b>29</b>	<b>280</b>	<b>280</b>	<b>12,330</b>	

**Note 30****Noninterest-bearing liabilities****Other non-current liabilities**

SEK M	2010	2009
Other noninterest-bearing liabilities	27	49
Derivative instruments (Note 23)	53	51
<b>Total</b>	<b>80</b>	<b>100</b>

**Other current liabilities**

SEK M	2010	2009
Advance payment from customers	245	398
Accounts payable	3,154	2,976
Bills payable	11	23
Other noninterest-bearing liabilities	407	512
Derivative instruments (Note 23)	140	181
Accrued expenses and prepaid income (Note 33)	1,476	1,333
<b>Total</b>	<b>5,433</b>	<b>5,423</b>
<b>Total noninterest-bearing liabilities</b>	<b>5,513</b>	<b>5,523</b>

Liabilities are recognized at amounts that correspond to fair value.

**Note 31****Pension provisions and similar items****Specification of costs**

SEK M	2010	2009
<b>Cost of defined-benefit plans</b>		
Costs for services during current year	34	42
Interest on the obligation	75	90
Anticipated return on plan assets	-34	-38
Actuarial gains and losses reported for the year	7	6
Curtailment and settlement losses	-12	-23
<b>Total cost of defined-benefit plans</b>	<b>70</b>	<b>77</b>
Cost of defined-contribution plans	142	192
<b>Total pension costs</b>	<b>212</b>	<b>269</b>
Of which discontinued operations	10	18
Actual return on plan assets amounts to SEK 57 M (110).		

**Change in pension liability in balance sheet**

SEK M	Defined-benefit plans
Opening balance	744
Net expenses recognized in profit and loss	70
Benefit payments	-136
Reduction attributable to divestment	-55
Other changes	-6
Translation difference	-73
<b>Closing balance</b>	<b>544</b>
of which, unfunded pension obligations	500
of which, funded pension obligations	44
Liabilities held for sale	-

**Specification of pension liability in the balance sheet**

SEK M	2010	2009
<b>Defined-benefit plans</b>		
Present value of funded obligations	1,395	1,564
Fair value of plan assets	-697	-697
<b>Total</b>	<b>698</b>	<b>867</b>
Unrecognized actuarial gains	40	86
Unrecognized actuarial losses	-195	-210
Other changes	1	1
<b>Total defined-benefit plans</b>	<b>544</b>	<b>744</b>
<b>Defined-contribution plans</b>	<b>19</b>	<b>19</b>
<b>Total pension liability</b>	<b>563</b>	<b>763</b>
of which, reported as plan assets	29	43
<b>Closing balance, pension liability</b>	<b>592</b>	<b>806</b>

Important actuarial assumptions on the balance-sheet date, %	France	Germany	Italy	Sweden	US	Norway
Discount rate at December 31	4.00%	4.50%	4.00%	3.25%	5.10%	3.20%
Anticipated return on pension plan assets at December 31	4.00%	3.00%	-	4.00%	5.10%	4.60%
Inflation	2.00%	2.00%	2.00%	2.00%	2.50%	2.00%
Future annual wage increases	1.5-3.5%	2.50%	3.00%	3.00%	3.50%	4.00%

**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 France, Germany, Sweden, Italy, Japan, Norway 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 2010 fiscal 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 11 M (14). Alecta's surplus can be distributed to the policyholders and/or the insured. At December 31, 2009, Alecta's surplus corresponded to a collective consolidation ratio of 141 percent – corresponding information for December 2010 is not yet available. 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 32

**Other provisions**

SEK M	Restructuring programs		Other provisions		Total	
	2010	2009	2010	2009	2010	2009
Opening balance	390	498	486	875	876	1,373
Reclassification	0	11	-84	-7	-84	4
Reversals	-8	-7	-3	-39	-11	-46
Provisions for the year	106	240	229	163	335	403
Divestments	-2	0	-15	-3	-17	-3
Utilized during the year	-322	-332	-232	-489	-554	-821
Translation difference	-31	-20	-29	-14	-60	-34
<b>Closing balance</b>	<b>133</b>	<b>390</b>	<b>352</b>	<b>486</b>	<b>485</b>	<b>876</b>
Of which, non-current provisions				151	401	
Of which, current provisions				334	475	
Of which, provisions for environmental commitments				52	69	

Closing balances for provisions for restructuring programs relate primarily to the following:

Closure of West Thurrock, in the UK (Trelleborg Automotive).

Consolidation of parts of operations in Germany (Trelleborg Automotive).

Concentration of manufacturing of printing blankets in Europe (Trelleborg Engineered Systems).

Other provisions relate to:

Provisions of varying sizes in a number of units for environmental commitments, guarantee provisions, insurance obligations and lease agreements for properties not in use, and provisions for ongoing cartel investigations at subsidiaries in the US and France.

## Note 33

**Accrued expenses and prepaid income**

SEK M	2010	2009
Interest	17	15
Wages and salaries	626	532
Payroll overheads	121	147
Pension expenses	23	33
Tools	22	18
Derivative instruments (Note 23)	13	5
Other	654	583
<b>Total</b>	<b>1,476</b>	<b>1,333</b>

## Note 34

**Contingent liabilities and pledged assets**

SEK M	2010	2009
<b>Contingent liabilities</b>		
Pension obligations	4	8
Guarantees and other contingent liabilities	2	3
<b>Total</b>	<b>6</b>	<b>11</b>
<b>Pledged assets</b>		
Plants and machinery	34	35
<b>Total</b>	<b>34</b>	<b>35</b>

Liabilities are recognized at amounts corresponding to fair value.

## Note 35

**Acquired and discontinued operations**

### 2010

**Acquisitions**

The Group made no significant acquisitions during the year.

**Lutz Sales**

A small, complementary acquisition took place within Trelleborg Sealing Solutions when the business area acquired US-based Lutz Sales, with annual sales of approximately SEK 100 M and approximately 50 employees. Lutz Sales is a distributor of a broad range of precision seals and customer-specific rubber components mainly in the North American market.

**Divested operations****Operation within hoses for light vehicles (Fluid Solutions)**

The hoses for light vehicles operation, formerly part of the Trelleborg Automotive business area, was divested during the year. In 2009, Fluid Solutions had sales of approximately SEK 1,400 M and recorded a loss. The purchase consideration was about SEK 300 M based on the estimated working capital level at the date of divestment. The purchaser is Bavaria Industriekapital AG, Munich, Germany.

**Roofing operation (Waterproofing)**

An agreement has been signed covering the divestment of the roofing operation, formerly a part of the Trelleborg Engineered Systems business area. The agreement was reached in the fourth quarter of 2010 and was concluded on January 31, 2011. The divested operation has annual sales of approximately SEK 900 M and about 230 employees. The purchaser is Axcel, a Nordic private equity fund.

### 2009

**Acquisitions**

A number of small acquisitions of assets and liabilities were conducted in 2009.

SEK M	2009
Purchase price	35
Direct costs related to acquisitions	28
Fair value of acquired net assets	29
Goodwill	34

## Note 36

**Events after the balance-sheet date****Global leader in Antivibration**

On January 8, 2011, Trelleborg and Freudenberg signed a letter of intent to form a 50/50 joint venture within antivibration solutions for light and heavy vehicles. The new company will consist of Trelleborg Automotive's antivibration solutions operations and Freudenberg's corresponding activities Vibraacoustic. Total annual sales are estimated at approximately SEK 12 billion, with 8,100 employees in 17 countries.

This joint venture will form a global leader and a strong partner for Trelleborg's customers, thus creating a platform for accelerated development and future growth. The companies' customer portfolios complement each other very well and Trelleborg's broad geographical presence is supplemented by Freudenberg's product portfolio. This will enable the company to offer automakers worldwide the best geographical coverage and the broadest product portfolio in antivibration solutions.

The formation of the joint venture creates opportunities for an efficient structure in a fragmented market. Trelleborg and Freudenberg can now work out the details of a solution that will generate considerable value for Trelleborg, its customers and its shareholders. It also provides opportunities for the best future development of Trelleborg Automotive's antivibration activity, while enabling Trelleborg to focus on continuing the development of the other parts of the Group.

The part of Trelleborg Automotive that will be included in the joint venture comprises the antivibration business for light and heavy vehicles. It accounts for about 75 percent of sales in Trelleborg Automotive and has annual sales of approximately SEK 6,300 M and about 5,200 employees. Trelleborg Automotive's operations outside the area of antivibration are not affected.

Due diligence and the contract process commenced in 2011. The transaction is conditional upon the fulfillment of certain conditions and approval by relevant competition authorities. The formation of the joint venture is expected to take place during 2011.

**Acquisitions and divestments**

The acquisition of PPI Polyurethane Products was concluded on January 3, 2011 and the acquisition of Watts Tyre Group was completed on February 4, 2011. The divestment of the roofing business was finalized on January 31, 2011.

# Parent Company, Trelleborg AB

## Income statements

SEK M	Note	2010	2009
Administrative expenses	37-38,42	-338	-389
Other operating income	39	244	289
Other operating expenses	39	-	-
<b>Operating loss</b>	40-41	<b>-94</b>	<b>-100</b>
Financial income and expenses	43	827	-516
<b>Profit/Loss before tax</b>		<b>733</b>	<b>-616</b>
Tax	44	136	144
<b>Net profit/loss</b>		<b>869</b>	<b>-472</b>

## Statements of comprehensive income

<b>Profit for the period</b>		<b>869</b>	<b>-472</b>
<b>Other comprehensive income</b>			
Fair value		-4	37
Group contributions received		1,366	1,053
Group contributions paid		-180	-91
Income tax relating to components of other comprehensive income		-311	-263
<b>Other comprehensive income, net of tax</b>		<b>871</b>	<b>736</b>
<b>Total comprehensive income</b>		<b>1,740</b>	<b>264</b>

## Cash-flow statements

<i>Operating activities</i>			
Operating loss		-94	-100
<i>Adjustment for items not included in cash flow:</i>			
Gain/loss on sale of non-current assets		-	-
Depreciation of property, plant and equipment		2	2
Amortization of intangible assets		4	3
Divestments and disposals		0	-
Other items not included in cash flow		26	10
		<b>-62</b>	<b>-85</b>
Cash dividend received		1,561	249
Interest received and other financial items		33	58
Interest paid and other financial items		-477	-533
Tax paid		0	0
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,055</b>	<b>-311</b>
<i>Cash flow from changes in working capital</i>			
Change in operating receivables		0	59
Change in operating liabilities		-25	-7
<b>Cash flow from operating activities</b>		<b>1,030</b>	<b>-259</b>
<i>Investing activities</i>			
Acquisition of subsidiaries/capital contribution		-591	-879
Divestment of subsidiaries		18	-
Acquisition of other shares/capital contribution		-	-6
Gross capital expenditures for property, plant and equipment		0	-1
Gross capital expenditures for intangible assets		-4	0
Sale of non-current assets		1	-
<b>Cash flow from investing activities</b>		<b>-576</b>	<b>-886</b>
<i>Financing activities</i>			
Change in interest-bearing investments		803	494
Change in interest-bearing liabilities		-1,116	-1,419
Rights issue		-	2,070
Dividend paid – equity holders of the parent		-136	-
<b>Cash flow from financing activities</b>		<b>-449</b>	<b>1,145</b>
<b>Cash flow for the year</b>		<b>5</b>	<b>0</b>
<i>Cash and cash equivalents:</i>			
At January 1		0	0
<b>Cash and cash equivalents, December 31</b>		<b>5</b>	<b>0</b>

# Parent Company, Trelleborg AB

## Balance sheets

December 31, SEK M	Note	2010	2009
<b>ASSETS</b>			
Non-current assets			
Property, plant and equipment	45	26	29
Intangible fixed assets	46	9	9
Financial fixed assets	47–48	34,362	34,073
Deferred tax assets	49	–	171
<b>Total non-current assets</b>		<b>34,397</b>	<b>34,282</b>
Current assets			
Current receivables	50–51	52	52
Interest-bearing receivables	52	1,078	1,665
Cash and cash equivalents		5	0
<b>Total current assets</b>		<b>1,135</b>	<b>1,717</b>
<b>TOTAL ASSETS</b>		<b>35,532</b>	<b>35,999</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	53		
Restricted equity			
Share capital		2,620	2,620
Statutory reserve		1,130	1,130
<b>Total restricted equity</b>		<b>3,750</b>	<b>3,750</b>
Non-restricted equity			
Fair-value reserve		19	22
Profit brought forward		7,971	7,705
Net profit/loss for the year		869	–472
<b>Total non-restricted equity</b>		<b>8,859</b>	<b>7,255</b>
<b>Total equity</b>		<b>12,609</b>	<b>11,005</b>
Non-current liabilities			
Interest-bearing non-current liabilities	56	52	51
Pension provisions and similar items	54	2	3
Deferred tax liabilities	49	4	–
Other provisions	55	8	3
<b>Total non-current liabilities</b>		<b>66</b>	<b>57</b>
Current liabilities			
Interest-bearing current liabilities	56	22,768	24,845
Other current liabilities	57–58	89	92
<b>Total current liabilities</b>		<b>22,857</b>	<b>24,937</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>35,532</b>	<b>35,999</b>
Contingent liabilities	59	8,396	10,054
Pledged assets	59	–	–

## Change in equity

Shareholders' equity SEK M	Restricted equity		Non-restricted equity		Total	
	2010	2009	2010	2009	2010	2009
Opening balance, January 1	3,750	3,389	7,255	5,256	11,005	8,645
Changes for the year:						
Reduction of share capital		–2,078				–2,078
Bonus issue		2,078				2,078
Rights issue		361		1,808		2,169
Transaction costs				–99		–99
Dividend			–136		–136	
Fair-value gains			–4	37	–4	37
Tax on fair value gains			1	–10	1	–10
Group contribution			1,186	962	1,186	962
Tax on Group contribution			–312	–253	–312	–253
Tax on costs in conjunction with the rights issue				26		26
Net profit/loss for the year			869	–472	869	–472
<b>Closing balance, December 31</b>	<b>3,750</b>	<b>3,750</b>	<b>8,859</b>	<b>7,255</b>	<b>12,609</b>	<b>11,005</b>

See also Note 53.

## Note 37

### Employees and employee benefits

#### Average number of employees

	Total women	Total men	Total	2009	Total women	Total men	Total
Sweden	28	48	76		28	48	76

#### Sick leave

	2010	2009
Absence due to illness as a percentage of normal working hours for		
- women	1.3	4.1
- men	0.8	1.0
- employees under age 30	0.3	0.4
- employees age 30-49	0.8	1.2
- employees age 49+	1.4	3.8
- all employees	1.0	2.1
Absence for a continuous period of 60 days or more as a percentage of total absence due to illness	34.9	66.8

#### Gender distribution in executive management positions, %

	2010	2009
Percentage of women in		
- executive positions	14	13
- on Board of Directors	29	14

### Employee benefits, other remuneration and payroll overheads

2010	Board, Executive Vice President and President	Other members of Group Management	Other employees	Total salaries	Payroll overheads	of which, pension costs
SEK M						
Sweden	23	14	50	87	51	20

See also Note 3

2009	Board, Executive Vice President and President	Other members of Group Management	Other employees	Total salaries	Payroll overheads	of which, pension costs
SEK M						
Sweden	19	15	51	85	48	18

See also Note 3

## Note 38

### Auditors' remuneration

SEK M		2010	2009
PricewaterhouseCoopers			
Audit assignment		3	3
Audit activities other than audit assignment		3	4
Tax consultancy services		2	3
Other services		13	3
<b>Total</b>		<b>21</b>	<b>13</b>

## Note 39

### Other operating income and operating expenses

SEK M		2010	2009
Sales of services to other Group companies		224	268
Sales of external services		2	2
Insurance compensation		13	17
Other		5	2
<b>Total other operating income</b>		<b>244</b>	<b>289</b>
Other		-	-
<b>Total other operating expenses</b>		<b>-</b>	<b>-</b>
<b>Total</b>		<b>244</b>	<b>289</b>

## Note 40

### Expenses by nature

SEK M		2010	2009
Employee benefits		-138	-133
Depreciation/amortization		-6	-5
Other external costs		-194	-251
Other operating income/expenses		244	289
<b>Total</b>		<b>-94</b>	<b>-100</b>

## Note 41

### Exchange-rate differences that impact operating profit/loss

SEK M	2010	2009
Administration expenses	-3	-2
Other operating income/expenses	5	2
<b>Total</b>	<b>2</b>	<b>0</b>

## Note 42

### Depreciation of PPE and amortization of intangible assets

SEK M	2010	2009
Improvement expenses on buildings owned by others	-1	-1
Equipment, tools, fixtures and fittings	-1	-1
Capitalized expenditure for R&D and similar	-4	-3
<b>Total</b>	<b>-6</b>	<b>-5</b>

## Note 43

### Financial income and expenses

SEK M	2010	2009
Income from shares in Group companies		
Dividend	1,561	249
Impairment losses on shares in subsidiaries	-25	-447
Gain/loss from divestment/winding-up of subsidiary	-265	157
<b>Total</b>	<b>1,271</b>	<b>-41</b>
Other interest income and similar profit items		
Interest income, Group companies	33	58
Interest income, other	0	0
Exchange-rate differences	-	0
<b>Total</b>	<b>33</b>	<b>58</b>
Interest expenses and similar loss items		
Interest expenses, Group companies	-477	-533
Interest expenses, other	-	0
Exchange-rate differences	0	-
<b>Total</b>	<b>-477</b>	<b>-533</b>
<b>Total financial income and expenses</b>	<b>827</b>	<b>-516</b>

## Note 44

### Income tax

SEK M	2010	2009
Current tax expenses		
Tax expenses for the period	0	0
<b>Total</b>	<b>0</b>	<b>0</b>
Deferred tax expenses (-)/revenue (+)		
Change in losses carried forward	137	134
Reassessment of losses carried forward	0	0
Deferred tax expenses/revenue on changes in temporary differences	-1	10
<b>Total</b>	<b>136</b>	<b>144</b>
<b>Total recognized tax expenses/revenue</b>	<b>136</b>	<b>144</b>
Reconciliation of tax		
Profit/Loss before tax	733	-616
Calculated Swedish income tax, 26.3%	-193	162
Non-taxable dividends/income from shares in subsidiaries	341	107
Non-deductible impairment losses	-7	-118
Other non-deductible expenses/non-taxable revenue	-4	-7
Tax attributable to prior years	-1	-
Other tax	0	0
<b>Total recognized tax expenses/revenue</b>	<b>136</b>	<b>144</b>
Tax items reported directly against shareholders' equity		
Deferred tax on fair-value gains	1	-10
Tax on cost incurred in conjunction with rights issue	-	26
Tax on Group contributions granted/received	-312	-253

The applicable tax rate is 26.3 percent (2009: 26.3 percent).

## Note 45

### Property, plant and equipment

SEK M		2010	2009
Improvement expenses on buildings owned by others		21	22
Equipment, tools, fixtures and fittings		5	7
<b>Total</b>		<b>26</b>	<b>29</b>

SEK M	Improvement expenses on buildings owned by others		Equipment, tools, fixtures and fittings		Total	
	2010	2009	2010	2009	2010	2009
Accumulated cost						
Balance, January 1	25	25	16	18	41	43
Capital expenditures	-	-	0	1	0	1
Divestments and disposals	-	-	-4	-3	-4	-3
<b>Accumulated cost, December 31</b>	<b>25</b>	<b>25</b>	<b>12</b>	<b>16</b>	<b>37</b>	<b>41</b>
Accumulated depreciation according to plan						
Balance, January 1	-3	-2	-9	-11	-12	-13
Divestments and disposals	-	-	3	3	3	3
Depreciation according to plan for the year	-1	-1	-1	-1	-2	-2
<b>Accumulated depreciation, December 31</b>	<b>-4</b>	<b>-3</b>	<b>-7</b>	<b>-9</b>	<b>-11</b>	<b>-12</b>
<b>Carrying amount</b>	<b>21</b>	<b>22</b>	<b>5</b>	<b>7</b>	<b>26</b>	<b>29</b>

Trelleborg AB has entered into operating lease agreements. Leasing costs for assets held via operating lease agreements are recognized as operating costs and amounted to SEK 2 M (3). Future payment for non-cancelable lease commitments amount to SEK 2 M (3) and fall due as follows:

SEK M	2010	2009
Year 1	1	2
Years 2-5	1	1
<b>Total</b>	<b>2</b>	<b>3</b>

## Note 46

### Intangible fixed assets

SEK M	2010	2009
Capitalized expenditure for development work and the equivalent	9	9
<b>Total</b>	<b>9</b>	<b>9</b>

SEK M	Capitalized expenditure for development work and the equivalent	
	2010	2009
Accumulated cost		
Balance, January 1	16	16
Capital expenditures	4	0
<b>Accumulated cost, December 31</b>	<b>20</b>	<b>16</b>
Accumulated amortization according to plan		
Balance, January 1	-7	-4
Amortization according to plan for the year	-4	-3
<b>Accumulated amortization, December 31</b>	<b>-11</b>	<b>-7</b>
<b>Carrying amount</b>	<b>9</b>	<b>9</b>

## Note 47

### Financial non-current assets

SEK M	2010	2009
Shares in Group companies (Note 17 and Note 48)	34,027	33,744
Receivables in Group companies	329	323
Other non-current securities holdings	6	6
<b>Total</b>	<b>34,362</b>	<b>34,073</b>

## Note 48

### Shares in Group companies

SEK M	2010	2009
Balance, January 1	33,744	32,434
Add:		
Acquisitions	2	0
Capital contributions	591	914
Received in connection with winding up	-	1,000
Less:		
Divestment/winding up	-285	-157
Impairment losses	-25	-447
<b>Carrying amount, December 31</b>	<b>34,027</b>	<b>33,744</b>

See also Note 17.

## Note 49

### Change in deferred tax on temporary differences and losses carried forward

SEK M	Temporary differences:		Non-current receivable	Non-current assets	Total deferred tax asset/liability
	Losses carried forward	2010	2009	2010	2009
Balance, January 1	175	268	0	0	-4
<b>Recognized in profit and loss:</b>					
-Change in losses carried forward	137	134			
-Reassessment of losses carried forward					0
-Temporary differences			-1	10	0
<b>Recognized directly against equity:</b>					
-Deferred tax on fair value, gains			1	-10	1
-Tax on costs incurred in conjunction with rights issue		26			0
-Tax on Group contributions received/granted	-312	-253			-312
	0	175	0	0	-4
					-4
					171

See also Note 44.

## Note 50

### Current receivables

SEK M	2010	2009
Operating receivables, Group companies	11	13
Other current receivables	22	22
Prepaid expenses and accrued income (Note 51)	19	17
<b>Total</b>	<b>52</b>	<b>52</b>

Carrying amount corresponds to fair value.

## Note 51

### Prepaid expenses and accrued income

SEK M	2010	2009
Interest and other financial items	-	-
Other	19	17
<b>Total</b>	<b>19</b>	<b>17</b>

## Note 52

### Interest-bearing receivables

SEK M	2010	2009
Financial receivables, Group companies	1,078	1,665
<b>Total interest-bearing receivables</b>	<b>1,078</b>	<b>1,665</b>

Carrying amount corresponds to fair value.

## Note 53

### Shareholders' equity

SEK M	Restricted equity		Non-restricted equity		Total	
	2010	2009	2010	2009	2010	2009
Opening balance, January 1	3,750	3,389	7,255	5,256	11,005	8,645
Changes for the year:						
Reduction of share capital	-2,078				-2,078	
Bonus issue	2,078				2,078	
Rights issue	361		1,808		2,169	
Transaction costs			-99		-99	
Dividend			-136		-136	
Fair value, gains			-4	37	-4	37
Tax on fair value, gains			1	-10	1	-10
Group contributions			1,186	962	1,186	962
Tax on Group contributions			-312	-253	-312	-253
Tax on costs incurred in conjunction with rights issue				26		26
Net profit/loss for the year			869	-472	869	-472
<b>Closing balance, December 31</b>	<b>3,750</b>	<b>3,750</b>	<b>8,859</b>	<b>7,255</b>	<b>12,609</b>	<b>11,005</b>

Trelleborg AB's share capital at December 31, 2010 amounted to SEK 2,620,360,569, represented by 271,071,783 shares with a par value of SEK 9.67 each.

Class of shares	No of shares	% of total	No of votes	% of total
Series A	28,500,000	10.51	285,000,000	54.02
Series B	242,571,783	89.49	242,571,783	45.98
<b>Total</b>	<b>271,071,783</b>	<b>100.00</b>	<b>527,571,783</b>	<b>100.00</b>

See also Note 26.

## Note 54

### Provisions for pensions and similar

SEK M	2010	2009
Provisions for other pensions	2	3
<b>Total</b>	<b>2</b>	<b>3</b>

Pensions and similar costs amounted to SEK 20 M (18).

## Note 55

### Other provisions

SEK M	2010	2009
Provisions for long-term incentive program	8	3
<b>Total</b>	<b>8</b>	<b>3</b>

Refer to Note 3 for further information.

## Note 56

### Interest-bearing liabilities

#### Interest-bearing non-current liabilities

SEK M	2010	2009
Other interest-bearing liabilities to Group companies	52	51
<b>Total non-current interest-bearing liabilities</b>	<b>52</b>	<b>51</b>

#### Interest-bearing current liabilities

SEK M	2010	2009
Other interest-bearing liabilities to Group companies	22,768	24,845
<b>Total interest-bearing current liabilities</b>	<b>22,768</b>	<b>24,845</b>
<b>Total interest-bearing liabilities</b>	<b>22,820</b>	<b>24,896</b>

Liabilities are recognized at amounts corresponding to fair value.

## Note 57

### Other current liabilities

SEK M	2010	2009
Accounts payable	29	23
Operating liabilities, Group companies	2	1
Other noninterest-bearing liabilities	4	4
Accrued expenses and prepaid income (Note 58)	54	64
<b>Total</b>	<b>89</b>	<b>92</b>

Liabilities are recognized at amounts corresponding to fair value.

## Note 58

### Accrued expenses and prepaid income

SEK M	2010	2009
Wages and salaries	32	32
Payroll overheads	10	10
Other	12	22
<b>Total</b>	<b>54</b>	<b>64</b>

## Note 59

### Contingent liabilities and pledged assets

SEK M	2010	2009
Contingent liabilities		
Pension obligations	1	1
Guarantees and other contingent liabilities	8,395	10,053
<b>Total</b>	<b>8,396</b>	<b>10,054</b>
Of which, on behalf of Trelleborg Treasury AB	7,690	9,232
Of which, on behalf of other subsidiaries	703	821
<b>Pledged assets</b>	<b>-</b>	<b>-</b>

The Parent Company has issued guarantees for the subsidiary Trelleborg Treasury AB's operation. Of the obligations under these guarantees, direct loans accounted for SEK 7,197 M (8,663), the fair value of derivative instruments for SEK 267 M (307) and other contingent liabilities on the balance-sheet date for SEK 226 M (262).

**Proposed treatment of unappropriated earnings**

The Board of Directors and the President propose that the profit brought forward from the preceding year, SEK 000s	7,989,647
and the result for the year, SEK 000s	869,497
<b>Total, SEK 000s</b>	<b>8,859,144</b>

be distributed in the following manner:

<b>Dividend to shareholders of SEK 1.75 per share, SEK 000s</b>	<b>474,376</b>
balance to be carried forward, SEK 000s	8,384,768
<b>Total, SEK 000s</b>	<b>8,859,144</b>

The proposed record date for the right to a dividend is April 27, 2011.

The members of the Board are of the opinion that the proposed dividend is justifiable considering the demands on the Group's equity imposed by the type, scope and risks of the business and with regard to the Group's consolidation requirements, liquidity and overall position.

The Board of Directors and President affirm that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group's profit and financial position. The Annual Report has been prepared in accordance with the generally accepted accounting policies and provides a true and fair view of the Parent Company's profit and financial position.

The statutory administration report for the Group and the Parent Company provides a true and fair overview of the development of the Group's and Parent Company's operations, profit and financial position and describes significant risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

**Trelleborg, February 15, 2011**



Audit report submitted February 15, 2011.

PricewaterhouseCoopers AB

  
Göran Tidström  
Authorized Public Accountant  
Auditor in charge

  
Eric Salander  
Authorized Public Accountant

# Audit Report

## Trelleborg AB

Corporate registration number  
556006-3421

### To the annual meeting of the shareholders of Trelleborg AB (publ)

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 year 2010. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 5-51 and 67-105. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test 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 have been prepared in accordance with the Annual Accounts Act and 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 international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. A corporate governance statement has been prepared. The statutory Board of Directors' Report and the corporate governance statement are consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheet 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 statutory Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the fiscal year.

Trelleborg February 15, 2011  
PricewaterhouseCoopers AB



Göran Tidström  
Authorized Public Accountant  
Auditor in charge



Eric Salander  
Authorized Public Accountant

# Ten-year overview

Trelleborg Group (sek m unless otherwise stated) <sup>1)</sup>	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
<b>Continuing operations</b>										
Net sales	27,196	24,769	28,481	27,899	24,397	20,946	19,989	15,606	14,689	15,104
Operating profit	2,036	734	980	1,686	1,480	1,608	1,048	898	713	640
Profit before tax	1,818	344	475	1,317	1,220	1,411	777	812	474	496
Net profit	1,284	403	269	931	845	1,059	619	505	340	360
<b>Discontinued operations</b>										
Net sales	1,582	2,290	2,782	3,072	2,887	3,224	2,923	2,354	2,941	3,656
Operating profit/loss	-84	39	-606	21	27	171	843	310	233	286
Profit/loss before tax	-86	25	-641	-49	-27	156	827	279	203	231
Net profit/loss	-101	16	-527	-93	-79	118	767	215	84	167
<b>Total net sales</b>	<b>28,778</b>	<b>27,059</b>	<b>31,263</b>	<b>30,971</b>	<b>27,284</b>	<b>24,170</b>	<b>22,912</b>	<b>17,960</b>	<b>17,630</b>	<b>18,760</b>
<b>Total operating profit</b>	<b>1,952</b>	<b>773</b>	<b>374</b>	<b>1,707</b>	<b>1,507</b>	<b>1,779</b>	<b>1,891</b>	<b>1,208</b>	<b>946</b>	<b>926</b>
<b>Total profit/loss before tax</b>	<b>1,732</b>	<b>369</b>	<b>-166</b>	<b>1,268</b>	<b>1,193</b>	<b>1,567</b>	<b>1,604</b>	<b>1,091</b>	<b>677</b>	<b>727</b>
<b>Total net profit/loss</b>	<b>1,183</b>	<b>419</b>	<b>-258</b>	<b>838</b>	<b>766</b>	<b>1,177</b>	<b>1,386</b>	<b>720</b>	<b>424</b>	<b>527</b>
– shareholders in the Parent Company	1,162	409	-267	821	751	1,161	1,372	702	410	515
– non-controlling interests	21	10	9	17	15	16	14	18	14	12
Shareholders' equity	12,196	12,361	10,238	10,052	9,687	10,113	8,603	7,452	7,284	7,690
Capital employed, closing balance	18,091	19,755	22,238	19,853	18,818	16,922	15,112	15,810	9,886	10,451
Net debt	6,409	8,369	12,706	10,093	9,350	7,236	6,951	8,447	2,962	3,267
Total assets	27,314	29,539	33,763	29,334	27,557	24,960	22,152	22,856	15,400	17,722
Equity/assets ratio, %	45	42	30	34	35	41	39	33	48	44
Debt/equity ratio, %	53	68	124	100	96	72	81	111	40	42
Capital turnover rate, multiple	1.5	1.3	1.5	1.6	1.5	1.5	1.4	1.5	1.7	1.8
Investments in property, plant and equipment	792	754	1,367	1,215	980	689	841	572	735	634
Investments in intangible assets	47	72	159	121	132	184	170	115	4	8
Acquisitions	165	63	802	616	3,095	368	346	6,141	133	322
Discontinued operations	78	44	-169	16	273	156	1,129	95	397	9
Return on shareholders' equity, %	9.5	3.6	neg	8.4	7.6	12.5	17.2	9.5	5.5	6.3
Earnings per share, sek <sup>2)</sup>	4.30	1.70	-1.35	4.15	3.80	5.90	7.10	3.85	2.15	2.45
Free cash flow	1,173	1,699	549	628	815	794	501	850	471	338
Free cash flow per share, sek <sup>2)</sup>	4.35	7.05	2.75	3.15	4.10	4.00	2.60	4.65	2.50	1.60
Dividend <sup>3)</sup>	474	136	–	587	542	497	449	404	355	347
Dividend per share, sek	1.75	0.50	–	2.95	2.75	2.50	2.30	2.20	1.90	1.65
Shareholders' equity per share, sek <sup>2)</sup>	44.55	45.30	51.20	50.10	48.35	50.70	43.05	40.30	39.70	40.45
Shareholders' equity per share after dilution, sek <sup>2)</sup>	44.55	45.30	51.20	50.10	48.35	50.70	43.05	39.95	39.30	40.05
Average number of employees	20,042	20,073	24,347	25,158	22,506	21,694	21,675	15,855	14,885	16,179
– of which, outside Sweden	18,230	18,342	22,104	22,836	20,268	19,243	19,117	13,773	12,919	14,125
<b>Continuing operations excluding items affecting comparability<sup>4)</sup></b>										
EBITDA	3,304	2,173	2,833	3,136	2,628	2,374	2,386	1,664	1,574	1,647
EBITDA, %	12.1	8.7	10.0	11.2	10.7	11.2	13.2	10.8	9.9	11.0
Operating profit	2,286	1,088	1,843	2,226	1,805	1,608	1,608	1,117	881	987
Profit before tax	2,068	698	1,338	1,858	1,545	1,411	1,337	1,031	642	843
Net profit	1,474	655	989	1,350	1,137	1,059	1,011	707	488	629
Operating margin (ROS), %	8.4	4.4	6.5	8.0	7.3	7.5	7.8	6.9	5.8	6.3
Return on capital employed (ROCE), %	11.9	5.1	9.1	11.8	10.6	11.1	10.3	9.3	9.3	11.8
Return on shareholders' equity, %	11.9	5.8	9.8	13.7	11.5	11.3	12.6	6.5	5.1	6.8
Earnings per share, sek	5.35	2.70	4.95	6.75	5.70	5.30	5.20	2.60	2.05	2.60
Operating cash flow	2,190	3,040	1,627	1,708	1,556	1,597	1,306	1,075	721	1,372
Operating cash flow per share, sek	8.10	12.65	8.20	8.60	7.70	8.40	6.95	5.45	3.60	6.50
Operating cash flow/operating profit, %	96	279	88	77	86	99	81	96	82	139
Average number of employees	18,974	18,115	21,724	22,349	19,848	19,514	19,609	14,909	14,816	14,999

<sup>1)</sup> Figures for 2001-2003 are reported in accordance with earlier accounting policies. Figures for 2004-2010 are reported in accordance with IFRS.

<sup>2)</sup> The average number of shares was adjusted in accordance with IAS 33. This calculation was applied to all key figures that include the number of shares.

<sup>3)</sup> Dividend in accordance with the proposed treatment of unappropriated earnings.

<sup>4)</sup> For comparability, historical values have been adjusted for discontinued operations and figures for 2001-2003 are reported excluding goodwill amortization.

# The Trelleborg share

Trelleborg's Series B share has been listed on the NASDAQ OMX Stockholm since 1964.

The share capital in Trelleborg amounts to SEK 2,620 M, represented by 271,071,783 shares, each with a par value of SEK 9.67.

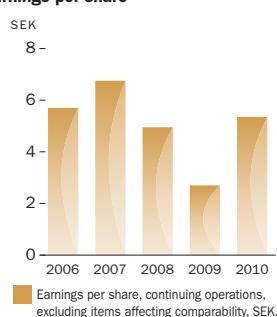
Trelleborg has two classes of shares: 28,500,000 Series A shares and 242,571,783 Series B shares. Each Series A share entitles the holder to ten votes and each Series B share to one vote.

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.

For further information about the Dunker Interests and its holding in Trelleborg AB, visit [www.trelleborg.com](http://www.trelleborg.com).

## Earnings per share



## Trelleborg is included in the following sustainability indexes:

- OMX GES Sustainability Sweden
- OMX GES Sustainability Nordic
- OMX GES Ethical Nordic
- OMX GES Ethical Sweden
- Nordic Sustainability Stars Sweden Top 25 (Ethix)
- ESI Europe (Ethibel)



## Share price and turnover

The price of Trelleborg's Series B share rose 32 percent (144) during 2010 to SEK 71.10. The OMX Stockholm Price Index increased 23 percent (47) during the year. The highest price paid in 2010 was SEK 73.75, on December 7. The lowest price paid was SEK 43.70 on May 25. At December 31, 2010, Trelleborg's market capitalization was SEK 17.247 billion (12.978).

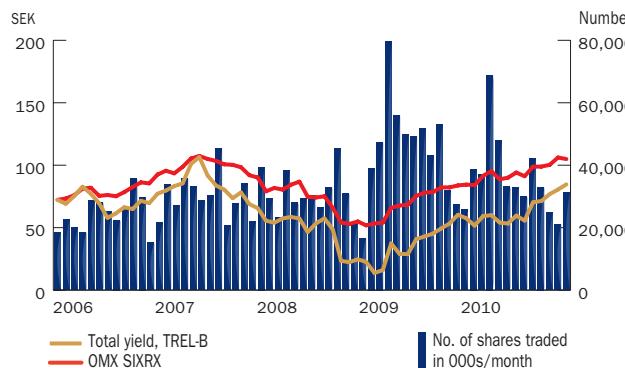
The introduction of the MiFID directive meant that share trading within the

EU became more fragmented and many shares, including the Trelleborg share, are now traded on multiple market places. Of the total turnover of the Trelleborg share in 2010, the NASDAQ OMX Stockholm accounted for approximately 78 percent (89) (source: Fidessa). In terms of value, Trelleborg's shares were the 37th (37th) most traded on the NASDAQ OMX Stockholm in 2010.

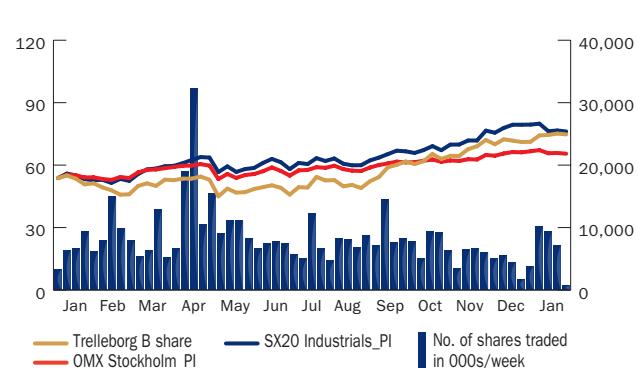
During 2010, 573 million (501\*) Trelleborg shares were traded (of which

449 million on the NASDAQ OMX Stockholm), corresponding to 236 percent (225) of the total number of shares in the company, at a value of SEK 30,876 M (18,815). The average daily turnover amounted to about 2,265,000 shares (1,999,000) or SEK 122.0 M (75.0). This information is based on the official share register and list of trustees at December 31, 2010.

### Price trend and trading volume Jan 2006 – Jan 2010



### Price trend and trading volume Jan 2010 – Jan 2011

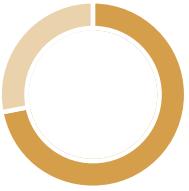


\*Adjusted for the implemented new share issue

**Swedish and foreign ownership, based on holding, number of shares**



**Legal entities and private individuals, based on holding, number of shares**



### 20 percent foreign ownership

Of the total number of shares, foreign shareholders accounted for approximately 20 percent (22) at December 31, 2010. Institutions accounted for the majority of total ownership. Of the total shares at year-end, 74 percent (72) were owned by legal entities and 26 percent (28) by private individuals, representing 91 percent (91) and 9 percent (9), respectively, of the total number of votes.

### Analysts

For a current list of the analysts that continuously monitor Trelleborg, visit [www.trelleborg.com/analysts](http://www.trelleborg.com/analysts).



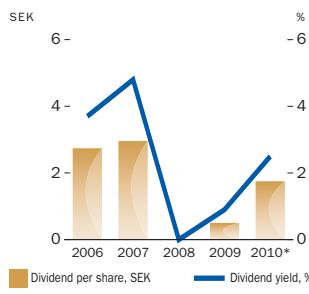
### Dividend policy

The Group's dividend is adapted to such factors as Trelleborg's level of earnings, financial position and future development opportunities.

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.

For 2010, the Board proposes a dividend of SEK 1.75 (0.50), which corresponds to about 41 percent of net profit for the year. In the most recent five-year period, the Trelleborg share has averaged a dividend yield of 2.4 percent per year.

#### Dividend per share / Direct yield



### Trelleborg AB's ten largest shareholders as of December 31, 2010

No.	Shareholder	No. of shares	Percentage of capital, %	Percentage of votes, %
1	Dunker Interests	33,976,631	12.5	55.1
2	Didner & Gerge Equity Fund	20,583,256	7.6	3.9
3	Alecta	12,000,000	4.4	2.3
4	Swedbank Robur funds	11,390,218	4.2	2.2
5	AFA Insurance Companies	10,493,148	3.9	2.0
6	Lannebo fonder	8,950,000	3.3	1.7
7	DFA funds (US)	8,028,362	3.0	1.5
8	SEB funds	5,925,101	2.2	1.1
9	Nordea funds	5,071,418	1.9	1.0
10	Unionen	5,039,823	1.9	1.0
	Other 49,965 shareholders	149,613,826	55.1	28.2
	<b>Total shares</b>	<b>271,071,783</b>	<b>100.0</b>	
	<b>Total votes</b>	<b>527,571,783</b>		<b>100.0</b>

### Distribution of shares as of December 31, 2010

At year-end 2010, the number of shareholders totaled

Number of shares	Number of shareholders	Percentage of total no. of shares	Change from Dec. 31, 2009, percentage points
1 - 1,000	38,395	4.6	4.3
1,001 - 5,000	9,360	7.7	-6.3
5,001 - 50,000	1,935	8.5	-12.7
50,001-	285	79.2	1.0
<b>Total</b>	<b>49,975</b>	<b>100.0</b>	

### Number of shares, voting rights and share class

Share class	No. of shares	Percent	No. of votes	Percent
Series A	28,500,000	11.75	285,000,000	54.02
Series B	242,571,783	88.25	242,571,783	45.98
<b>Total</b>	<b>271,071,783</b>	<b>100.00</b>	<b>527,571,783</b>	<b>100.00</b>

### Key data per share

SEK (unless specified otherwise)	2010	2009	2008	2007	2006
<b>Continuing operations</b>					
Earnings per share	4.65	1.65	1.30	4.60	4.25
Earnings per share after dilution	4.65	1.65	1.30	4.60	4.25
Earnings per share, excl. items affecting comparability	5.35	2.70	4.95	6.75	5.70
<b>Total</b>					
Earnings per share	4.30	1.70	-1.35	4.15	3.80
Earnings per share after dilution	4.30	1.70	-1.35	4.15	3.80
Shareholders' equity per share	44.55	45.30	51.20	50.10	48.35
Shareholders' equity per share after dilution	44.55	45.30	51.20	50.10	48.35
Dividend per share	1.75 <sup>1)</sup>	0.50	-	2.95	2.75
Yield, %	2.5	0.9	0.0	4.8	3.7
Market price, B share, December 31, last paid price SEK	71.10	53.50	22.00	61.80	74.75
P/E ratio	17	31	neg	15	20
Turnover of series B share, calculated by value, %	236	225	211	204	163

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

At Dec 31 <sup>2)</sup>	271,071,783	271,071,783	90,357,261	90,357,261	90,357,261
Average <sup>3)</sup>	271,071,783	240,699,594	198,178,530	198,178,530	198,178,530

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

2) No dilution effect.

3) Following the rights issue in 2009, the average number of shares was adjusted according to guidelines in IAS 33.

# Follow Trelleborg on the Internet

Last year, Trelleborg commenced a long-term program focused on a web-based annual report to progressively develop a more reader-friendly and interactive annual report.

This venture makes it easier for readers to locate information in the annual report at the same time as costs and environmental impact are reduced. Read the annual report at [www.trelleborg.com/annual-report2010](http://www.trelleborg.com/annual-report2010).

The Group's decision to publish a web-based annual report means that a paper version of the annual report will only be distributed to those who have specifically requested to receive a copy.

## New products and solutions

You can follow developments and the progress of the various products and solutions offered to customers on [www.trelleborg.com](http://www.trelleborg.com). You can also receive updates either via a newsletter or by subscribing to the RSS service.

## Information subscription

You can subscribe to and receive Trelleborg's financial reports, press releases and share information by e-mail or text message. Click on "Subscription service" under "Investors" or directly via the following link: <http://www.trelleborg.com/en/Investors/Subscription-Service/>

## Clear share-price information

Follow the price trend of the Trelleborg share for the past years and compare with trends in various indexes. Analyze the share-price trend when reports and press releases are published. Download share data in Excel format for your own analyses.

## Financial data

Study key figures, the income statement and balance sheet in an easy manner. You can choose how you want the information presented – by calendar year, rolling 12-months or by quarter.

## Financial presentations –watch live or at a later date

Watch presentations of quarterly reports, Annual General Meetings or other news events. Most presentations will be broadcast live, otherwise you can watch them at a later date.

## Like Trelleborg



- Facebook  
[www.facebook.com/trelleborggroup](http://www.facebook.com/trelleborggroup)
- Twitter  
[twitter.com/trelleborggroup](http://twitter.com/trelleborggroup)
- YouTube  
[www.youtube.com/trelleborg](http://www.youtube.com/trelleborg)
- Flickr  
[www.flickr.com/photos/trelleborg](http://www.flickr.com/photos/trelleborg)



**www.trelleborg.com**



Every year, communication consultants Hallvarsson & Hallvarsson rank the web-based information provided by companies listed on the NASDAQ OMX Stockholm. In 2010, [www.trelleborg.com](http://www.trelleborg.com) was ranked the second best site among listed companies. The survey includes more than 100 criteria focusing on financial information and investor relations. Over the past ten years, Trelleborg's website has been ranked among the top ten websites in this survey. In 2009, the survey ranked Trelleborg the best website.



## Trelleborg Gateway – Smartphone App

Quick and easy access to the World of Trelleborg from the convenience of an iPhone or Android mobile.

- News and updates from the Trelleborg Group.
- Swift overview of our products and solutions for various industries.
- Career opportunities and contact information across Business Areas and markets.



# Annual General Meeting 2011

The Annual General Meeting of Trelleborg AB (publ) will be held on Wednesday, April 20, 2011, at 5:00 p.m. in Söderslättshallen in Trelleborg, Sweden.

## Program

3:00 p.m. Registration and light refreshments  
4:00 p.m. Meeting hall opens  
5:00 p.m. AGM commences

## Notification

Shareholders who wish to participate and vote in the Meeting must be entered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) by Thursday, April 14, 2011, at the latest, and notify the company of their intention to participate – with any advisors – not later than 3:00 p.m. on the same date.

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 Thursday, April 14, 2011. 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:

- via the Group's website: [www.trelleborg.com](http://www.trelleborg.com)
- by e-mail to: [anmalan.stamma@trelleborg.com](mailto:anmalan.stamma@trelleborg.com)
- by mail to Trelleborg AB, Legal Department, PO Box 153, SE-231 22 Trelleborg, Sweden
- by telephone to: +46 (0)410-670 04 or 670 00



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 2011 Annual General Meeting

### *Proposed dividend*

The Board of Directors and the President propose a cash dividend of SEK 1.75 (0.50) per share to be paid to the shareholders. April 27, 2011 is proposed as the date of record. If the Meeting approves the proposal, the dividend is expected to be distributed by Euroclear Sweden on May 2, 2011.

### *Board members*

The Nomination Committee, consisting of representatives of major shareholders who together control approximately 66 percent of the votes in Trelleborg AB, and the Chairman of the Board have decided to propose to the Annual General Meeting the re-election all Board members: Hans Biörck, Claes Lindqvist, Sören Mellstig, Peter Nilsson, Bo Risberg, Nina Udnes Tronstad, Hélène Vibbleus Bergquist and Anders Narvinger as Chairman.

# Financial definitions

## 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.

**P/E ratio** Market price divided by earnings per share.

**Return on shareholders' equity** Profit for the period, attributable to equity holders of the parent as a percentage of average shareholders' equity, excluding non-controlling interests.

**Yield** Dividend as a percentage of the market price.

## Operating key figures \*

**Average number of employees** Average number of employees during the year based on hours worked. Does not include insourced staff.

**Capital employed** Total assets less interest-bearing financial assets and cash and cash equivalents and noninterest-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 company, excluding items affecting comparability net after tax, divided by the average number of shares outstanding.

**EBIT** Operating profit according to the income statement, excluding items affecting comparability.

**EBITDA** Operating profit excluding depreciation and amortization of PPE and intangible assets, and items affecting comparability.

**EBITDA/Net interest income/expense** EBITDA divided by net interest income/expense (interest income less interest expenses).

**EBITDA margin** EBITDA excluding profit from participation in associated companies as a percentage of net sales.

**Net debt/EBITDA** Net debt divided by EBITDA.

**Number of employees at year-end** Including insourced staff and temporary employees.

**Operating cash flow** EBITDA excluding undistributed participation in the earnings of associated compa-

nies, 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, excluding items affecting comparability.

**Operating cash flow per share** Operating cash flow divided by the average number of shares outstanding.

**Operating margin (ROS – Return On Sales)**

- Operating profit excluding participation in the earnings of associated companies and items affecting comparability as a percentage of net sales.

- Operating profit excluding participation in the earnings of associated companies but including items affecting comparability as a percentage of net sales.

**Rate of capital turnover** Net sales as a percentage of average capital employed.

**Return on capital employed (ROCE)** EBIT divided by the average capital employed.

**Return on shareholders' equity** Profit for the period, attributable to equity holders of the parent, excluding items affecting comparability, net after tax, divided by average shareholders' equity, excluding non-controlling interests.

**Western Europe** Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, the Netherlands, Norway, Portugal, Sweden, Switzerland, Spain, the UK.

\*) for continuing operations

# Glossary

**BRIC countries** Brazil, Russia, India, China.

**Brake shims** Rubber metal alloy rings attached to the brake lining (to minimize screech).

**CDP** (Carbon Disclosure Project), an independent organization with the world's largest database of climate information. On behalf of global investors, the CDP gathers information regarding emissions of greenhouse gases by companies and organizations as well as the measures being taken by them to prevent a negative climate impact.

**CR** (Corporate responsibility) Refers to the responsibilities of companies towards their key stakeholders, such as employees, shareholders, customers, suppliers, the local community and the environment. Often relates to the same areas encompassed by the term sustainability or Corporate Social Responsibility (CSR).

**Global Compact** UN initiative that unites companies and social institutions around ten 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 approaches to sustainability reporting, on a consensus basis.

**ISO** (International Organization for Standardization), an international standardization body that works with industrial and commercial standards. The following standards are applied at Trelleborg; ISO 9000 which provides guidelines for quality assurance systems, ISO 14001 that sets requirements and provides guidance regarding environmental management systems and ISO 26000 which forms a practical set of guidelines and standards for increasing responsibility in the process of obtaining sustainable development.

**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.

**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". 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.

**REACH** (Registration, Evaluation and Authorization of Chemicals). The aim of the EU's REACH chemicals ordinance is to only permit the use of substances in the EU and EEA that are registered with the European Chemicals Agency.

**Safety@Work** A program of preventative measures to forestall injuries and illness at all of Trelleborg's workplaces. The program supports the organizational change that is required to create a culture of safety and strengthens the Group's ability to attract, develop and retain employees in all its units.

# Quick Guide

## Tables/Diagrams

A fragmented market	15
Accounting policies	79
Accrued expenses and prepaid income, Group	95
Accrued expenses and prepaid income, Parent Company	100
Acquisitions and divestments	19, 95
Age and gender of management levels 3-5	58
Annual General Meeting attendance	41
Assets and liabilities held for sale	92
Auditors' remuneration, Group	87
Auditors' remuneration, Parent Company	98
Balance sheets, Group	75
Balance sheets, Parent Company	97
Board members' attendance	44, 45
Capital employed	74
Capital expenditures and depreciation, Group	77
Capital structure	74
Cash and cash equivalents	92
Cash flow	22
Cash flow per share	77
Cash-flow report, Group	77
Cash-flow statements, Group	78
Change in deferred tax on temporary differences and losses carried forward, Group	91
Change in deferred tax on temporary differences and losses carried forward, Parent Company	99
Change in equity, Group	74
Change in equity, Parent Company	97
Climate impact	57
Composition of the Board	44, 45
Contingent liabilities and pledged assets, Group	95
Contingent liabilities and pledged assets, Parent Company	100
Continuing operations excluding items affecting comparability	71
Costs distributed by cost item	87
Costs for restructuring program	72
Currency pairs with largest net flows over 12 months forward from the fourth quarter of 2010	38
Current operating receivables, Group	91
Current operating receivables, Parent Company	99
Deferred tax assets/tax liabilities	91
Depreciation of PPE and amortization of intangible assets, Parent Company	98
Depreciation of property, plant and equipment by function	88
Discontinued operations	92
Distributed value	62
Distribution of environment, health and safety-related costs	62
Distribution of environment, health and safety-related investments	105
Distribution of shares	105
Distribution of shares	105
Dividend per share/dividend yield	1, 105
Earnings	22
Earnings per share	71, 104
EBITDA	1, 21
Emissions to air	57
Employees and employee benefits, Group	85
Employees and employee benefits, Parent Company	98
Employees per geographic market, Trelleborg Automotive	27
Employees per geographic market, Trelleborg Engineered Systems	25
Employees per geographic market, Trelleborg Sealing Solutions	29
Employees per geographic market, Trelleborg Wheel Systems	31
Energy	57
Environmental management	88
Events after year-end	95
Exchange-rate differences that impact operating profit, Group	98
Exchange-rate differences that impact operating profit, Parent Company	98
Expenses by nature, Parent Company	98
Financial derivate instruments	92
Financial income and expenses, Group	88
Financial income and expenses, Parent Company	98
Financial instruments by category and valuation level	94
Financial non-current assets, Group	90
Financial non-current assets, Parent Company	99
Financial risk management	93
Geographic breakdown of sales	19
Geographic distribution of net sales in 2010	Front inside cover
Goodwill by segment	89
Government grants	88
GRI index	64
Group's capital structure	37
Impact in 2010 on consolidated interest expenditure of a 1-percent increase in interest rates, 2011	39
Impairment loss of property, plant and equipment by function	88
Impairment losses on intangible assets	89
Income statement per quarter, Group	73
Income statements, Group	69
Income statements, Parent Company	96
Industrial rubber market trend, history and forecast	15
Intangible assets, Group	89
Intangible assets, Parent Company	99
Interest-bearing liabilities, Group	93
Interest-bearing liabilities, Parent Company	100
Interest-bearing receivables, Group	92
Interest-bearing receivables, Parent Company	99
Inventories	91
Items affecting comparability	72, 87
Key data per share	105
Key figures, Trelleborg Automotive	26
Key figures, Trelleborg Engineered Systems	24

## Tables/Diagrams

Key figures, Trelleborg Sealing Solutions	28
Key figures, Trelleborg Wheel Systems	30
Largest shareholders	105
Leading market positions by business area	24, 26, 28, 30
Legal entities and private individuals, based on holding, number of shares	105
Maturity term structure for the Group's committed confirmed credit lines per December 31, 2010	37
Maturity term structure for the Group's interest-bearing liabilities per December 31, 2010	37
Net debt	76
Net indebtedness - capital structure	22
Net sales	22, 68, 85
Net sales and operating profit, Group	23
Net sales and ROS, Trelleborg Automotive	27
Net sales and ROS, Trelleborg Engineered Systems	25
Net sales and ROS, Trelleborg Sealing Solutions	29
Net sales and ROS, Trelleborg Wheel Systems	31
Net sales for continuing operations compared with 2009	68
Net sales per business area	23, 68
Net sales per geographic market	70
Net sales per geographic market, Trelleborg Automotive	27
Net sales per geographic market, Trelleborg Engineered Systems	25
Net sales per geographic market, Trelleborg Sealing Solutions	29
Net sales per geographic market, Trelleborg Wheel Systems	31
Net sales per market segment, Trelleborg Automotive	27
Net sales per market segment, Trelleborg Engineered Systems	25
Net sales per market segment, Trelleborg Sealing Solutions	29
Net sales per market segment, Trelleborg Wheel Systems	31
Net sales per quarter, Group	23
Nomination Committee for the Annual General Meeting	42
Non-controlling interests - profit and equity	88
Noninterest-bearing liabilities, Group	94
Number of employees at year-end per business area	Front inside cover
Number of employees at year-end, distribution per country	58
Number of employees outside Western Europe and North America	19
Number of employees, ten largest countries	Front inside cover
Number of shareholders	41
Operating cash flow	77
Operating cash flow, Trelleborg Automotive	27
Operating cash flow, Trelleborg Engineered Systems	25
Operating cash flow, Trelleborg Sealing Solutions	29
Operating cash flow, Trelleborg Wheel Systems	31
Operating profit	23, 70
Operating profit and ROCE, Trelleborg Automotive	27
Operating profit and ROCE, Trelleborg Engineered Systems	25
Operating profit and ROCE, Trelleborg Sealing Solutions	29
Operating profit and ROCE, Trelleborg Wheel Systems	31
Operating profit, continuing operations	71
Operating ratios, Group	23
Organic growth and net sales	1, 21
Other current liabilities, Parent Company	100
Other operating income and expenses, Parent Company	98
Other operating income and expenses, Group	87
Other provisions, Group	95
Other provisions, Parent Company	100
Other shares	90
Ownership structure	41
Parent Company and Group holdings of shares and participations in Group companies	90
Participations in Group companies	99
Pension provisions and similar, Group	94
Pension provisions and similar, Parent Company	100
Prepaid expenses and accrued income, Group	91
Prepaid expenses and accrued income, Parent Company	99
Property, plant and equipment, Group	88
Property, plant and equipment, Parent Company	99
Proposed treatment of unappropriated earnings	101
R&D expenditure	20
Remuneration of Auditors	43
Remuneration of Group management	46
Remuneration of the Board	44, 45
Return on shareholders' equity	1, 21
Sales outside Western Europe and North America	19
Sales, ten largest markets	Front inside cover
Segment reporting	84
Sensitivity analysis (translation exposure)	38
Share of capital employed per business area	Front inside cover
Share of net sales, Group, per business area	Front inside cover
Share of operating cash flow per business area	Front inside cover
Share of operating profit, Group, per business area	Front inside cover
Share of profit or loss in associated companies	Front inside cover
Share price and turnover	104
Shareholders' equity, Group	92
Shareholders' equity, Parent Company	100
Shares and participations in associated companies	100
Swedish and foreign ownership, based on holding, number of shares	105
Tax on profit for the year, Group	88
Tax on profit for the year, Parent Company	98
Ten-year overview	103
Top ten global industrial rubber companies	15
Total growth and organic growth	18
Translation effects	38
Waste	57
Water	57

# Adresses

## Head offices

### Trelleborg AB (publ)

PO Box 153, SE-231 22 Trelleborg, Sweden  
Visitors: Johan Kocksgatan 10  
Tel: +46 (0)410-670 00  
Internet: [www.trelleborg.com](http://www.trelleborg.com)

### Trelleborg Treasury

PO Box 7365, SE-103 90 Stockholm, Sweden  
Visitors: Jakobsbergsgatan 22  
Tel: +46 (0)8-440 35 00

## Business areas

### Trelleborg Engineered Systems

SE-231 81 Trelleborg, Sweden  
Visitors: Henry Dunkers gata 1  
Tel: +46 (0)410-510 00  
E-mail: [engineered.systems@trelleborg.com](mailto:engineered.systems@trelleborg.com)

### Trelleborg Automotive

SE-231 81 Trelleborg, Sweden  
Visitors: Johan Kocksgatan 10  
Tel: +46 (0)410-510 00  
E-mail: [automotive@trelleborg.com](mailto:automotive@trelleborg.com)

### Trelleborg Sealing Solutions

Handwerkstrasse 5-7  
DE-70565 Stuttgart, Germany  
Tel: +49 711 7864 0  
E-mail: [sealing.solutions@trelleborg.com](mailto:sealing.solutions@trelleborg.com)

### Trelleborg Wheel Systems

Via Naz. Tiburtina, 143  
IT-00010 Villa Adriana (Roma), Italy  
Tel: +39 774 38 41  
E-mail: [wheel.systems@trelleborg.com](mailto:wheel.systems@trelleborg.com)

# Information

Interim reports, annual reports, the Group's stakeholder magazine T-TIME, and other material can be ordered from Trelleborg AB, Corporate Communications, PO Box 153, SE-231 22 Trelleborg, Sweden, tel: +46 (0) 410-670 00, or at [www.trelleborg.com](http://www.trelleborg.com).

The annual report is available at [www.trelleborg.com](http://www.trelleborg.com).



## Change of address

Changes of address of private individuals who are registered as residents of Sweden are made automatically by Euroclear Sweden AB (the Swedish Securities Register Center).

Please note that shareholders who have chosen not to have their addresses updated automatically must themselves notify the account-operating institute. Shareholders whose holdings are registered in the name of a trustee should notify the trustee as soon as possible of any changes in their name, address or account number. A special form for such notification is available at banks.

Other shareholders must notify changes of address and changes of account number to Euroclear Sweden AB, PO Box 7822, SE-103 97 Stockholm, Sweden, Tel: +46 (0) 8-402 90 00.

## Calendar

2011 Annual General Meeting	April 20
Interim report Jan – March	April 20
Interim report Jan – June	July 20
Interim report Jan – Sep	October 25

## Contacts

**Viktoria Bergman**, Senior Vice President Corporate Communications,  
tel: +46 (0)410-670 94,  
mobile: +46 (0)70-847 57 33,  
e-mail: [viktoria.bergman@trelleborg.com](mailto:viktoria.bergman@trelleborg.com)

**Conny Torstensson**, Vice President Investor Relations,  
tel: +46 (0)410-670 70,  
mobile: +46 (0)73-408 70 70,  
e-mail: [conny.torstensson@trelleborg.com](mailto:conny.torstensson@trelleborg.com)

## Acknowledgements in 2010

- Trelleborg Corporate Responsibility on the web – best company listed on the Stockholm Stock Exchange (Hallvarsson & Hallvarsson)
- Trelleborg's Risk Report – best report of a company listed on the Stockholm Stock Exchange (Risk Transparency Award – Ernst & Young).
- [www.trelleborg.com](http://www.trelleborg.com) – second best website of a company listed on the Stockholm Stock Exchange (Hallvarsson & Hallvarsson).
- Trelleborg Corporate Responsibility Report – among the four best companies on the Stockholm Stock Exchange (Deloitte)
- Trelleborg's Annual Report – fourth best Swedish annual report in the international survey Annual Report on Annual Reports carried out by Report Watch.



## Your opinion is welcome

Can we make our Annual Report even better?  
We welcome your views and suggestions;  
e-mail: [annualreport@trelleborg.com](mailto:annualreport@trelleborg.com).



## Forward-looking statement

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 World of Trelleborg

## Argentina

Market Office: Buenos Aires  
Number of employees: 4

## Australia

Production: Brisbane, East Bentleigh, Melbourne  
Development unit: Zillmere  
Market Office: Bibra Lake, Brisbane, East Bentleigh, Melbourne, Perth, Sydhey  
Number of employees: 190

## Austria

Market Office: Vienna  
Number of employees: 15

## Belgium

Market Office: Brussels, Dion-Valmont, Evergem, Zaventem  
Number of employees: 63

## Brazil

Production: Guarulhos, São José dos Campos  
Development unit: Guarulhos  
Market Office: Lencois Paulista, São Paulo, São José dos Campos  
Number of employees: 1,025

## Bulgaria

Market Office: Sofia  
Number of employees: 19

## Canada

Market Office: Etobicoke  
Number of employees: 18

## China

Production: Qingdao, Shanghai, Wuxi  
Development unit: Shanghai, Wuxi  
Market Office: Beijing, Chengdu, Dalian, Guangzhou, Hong Kong, Shanghai, Wuhan  
Number of employees: 1,430

## Croatia

Market Office: Zagreb  
Number of employees: 7

## Czech Republic

Production: Lesina, Mladá Boleslav  
Market Offices: Rakovník, Prague  
Number of employees: 264

## Denmark

Production: Helsingør  
Development unit: Helsingør  
Market Office: Hedensted, Hillerød  
Number of employees: 292

## Estonia

Production: Kuressaare  
Number of employees: 181

## Finland

Production: Keikyä, Kiiaka, Vihti  
Market Office: Nokia, Vantaa  
Number of employees: 82

## France

Production: Besançon, Cernay, Clermont-Ferrand, Condé-sur-Noireau, Mirambeau, Nantes, Poix-Terron, Sanchezville, Steinbach, Witry lès Reims  
Development unit: Besançon, Clermont-Ferrand, Nantes, Witry lès Reims  
Market Office: Clermont-Ferrand, Compiègne, Maisons-Laffitte, Paris, Rochefort  
Number of employees: 2,004

## Germany

Production: Breuberg, Grossheubach, Lathen  
Development unit: Breuberg, Höhr-Grenzhausen, Mannheim, Mosbach, Stuttgart  
Market Offices: Duisburg, Erbach/Odenwald, Gärtringen, Hamburg, Stuttgart, Mettmann, Lathen  
Number of employees: 1,126

## Hungary

Market Offices: Budapest, Budaörs  
Number of employees: 8

## India

Production: Bangalore, Noida  
Market Office: Ahmedabad, Bangalore, Jayanagar  
Number of employees: 902

## Indonesia

Market Office: Jakarta  
Number of employees: 6

## Italy

Production: Livorno, Lodi Vecchio, Modena, Tivoli, Turin  
Development unit: Livorno, Lodi Vecchio, Tivoli, Turin

Market Office: Cinisello Balsamo, Cuneo, Livorno, Milan, Rome, Sesto San Giovanni, Tivoli  
Number of employees: 1,246

## Japan

Development unit: Toyo Koto-ku  
Market Office: Tokyo, Toyo Koto-ku, Yokohama  
Number of employees: 110

## Latvia

Production: Liepaja  
Number of employees: 52

## Lithuania

Production: Tauragė  
Number of employees: 155

## Malaysia

Market Office: Kuala Lumpur  
Number of employees: 3

## Malta

Production: Hal Far, Marsa  
Development unit: Hal Far  
Number of employees: 530

## Mexico

Production: Tijuana, Toluca  
Market Office: Col. Trabajadores de Hierro, Mexico City  
Number of employees: 470

## The Netherlands

Production: Ede, Hoogezaand, Ridderkerk  
Development units: Ede, Ridderkerk  
Market Offices: Barendrecht, Ede, Lelystad, Ridderkerk  
Number of employees: 270

## Norway

Production: Mjöndalen  
Development unit: Mjöndalen  
Market Offices: Leirdal, Mjöndalen, Oslo, Siggerud, Spydeberg, Stavanger  
Number of employees: 356

## Poland

Production: Bielsko-Biala, Czechowice-Dziedzice, Skoczów  
Market Offices: Lódz, Warsaw  
Number of employees: 454

## Romania

Production: Dej  
Number of employees: 210

## Russia

Production: Zavolzhye  
Market Offices: Moscow, St Petersburg  
Number of employees: 41

## Singapore

Production: Singapore  
Development unit: Singapore  
Market Office: Singapore  
Number of employees: 207

This list includes locations with Trelleborg units in January 2011 and pertains to the number of employees at the year-end including insourced and temporary employees.

## South Africa

Market Office: Johannesburg  
Number of employees: 27

## South Korea

Production: Gyungbuk  
Development unit: Gyeong San  
Market Office: Seoul  
Number of employees: 364

## Spain

Production: Burgos, Cascante, Izarra, Martorell, Pamplona, Santander  
Development unit: Izarra  
Market Offices: Barcelona, Madrid  
Number of employees: 1,102

## Sri Lanka

Production: Kelanyia, Malwana  
Development unit: Kelanyia  
Number of employees: 795

## Sweden

Production: Bor, Bälsta, Ersmark, Forsheda, Havdhem, Kalmar, Rydaholm, Sjöbo, Sävsjö, Trelleborg, Värnamo, Örebro  
Development units: Ersmark, Forsheda, Kalmar, Sävsjö, Trelleborg, Örebro  
Market Offices: Bromma, Göteborg, Jönköping, Kalmar, Värnamo  
Number of employees: 1,882

## Switzerland

Market Office: Crissier  
Number of employees: 20

## Taiwan

Market Office: Taichung  
Number of employees: 22

## Turkey

Production: Çerkesköy  
Number of employees: 206

## UK

Production: Barrow-in-Furness, Bridgewater, Cadley Hill, Knaresborough, Leicester, Middleton, Rotherham, Skelmersdale, Tewkesbury  
Development units: Ashchurch, Bridgewater, Leicester, Malmesbury, Rotherham, Skelmersdale  
Market Offices: Ashby de la Zouch, Bakewell, Barrow-in-Furness, Bellshill, Cadley Hill, Hull, Knaresborough, Leicester, Malmesbury, Manchester, Minworth, Rotherham, Runcorn, Skelmersdale, Solihull, St Albans  
Number of employees: 1,408

## United Arab Emirates

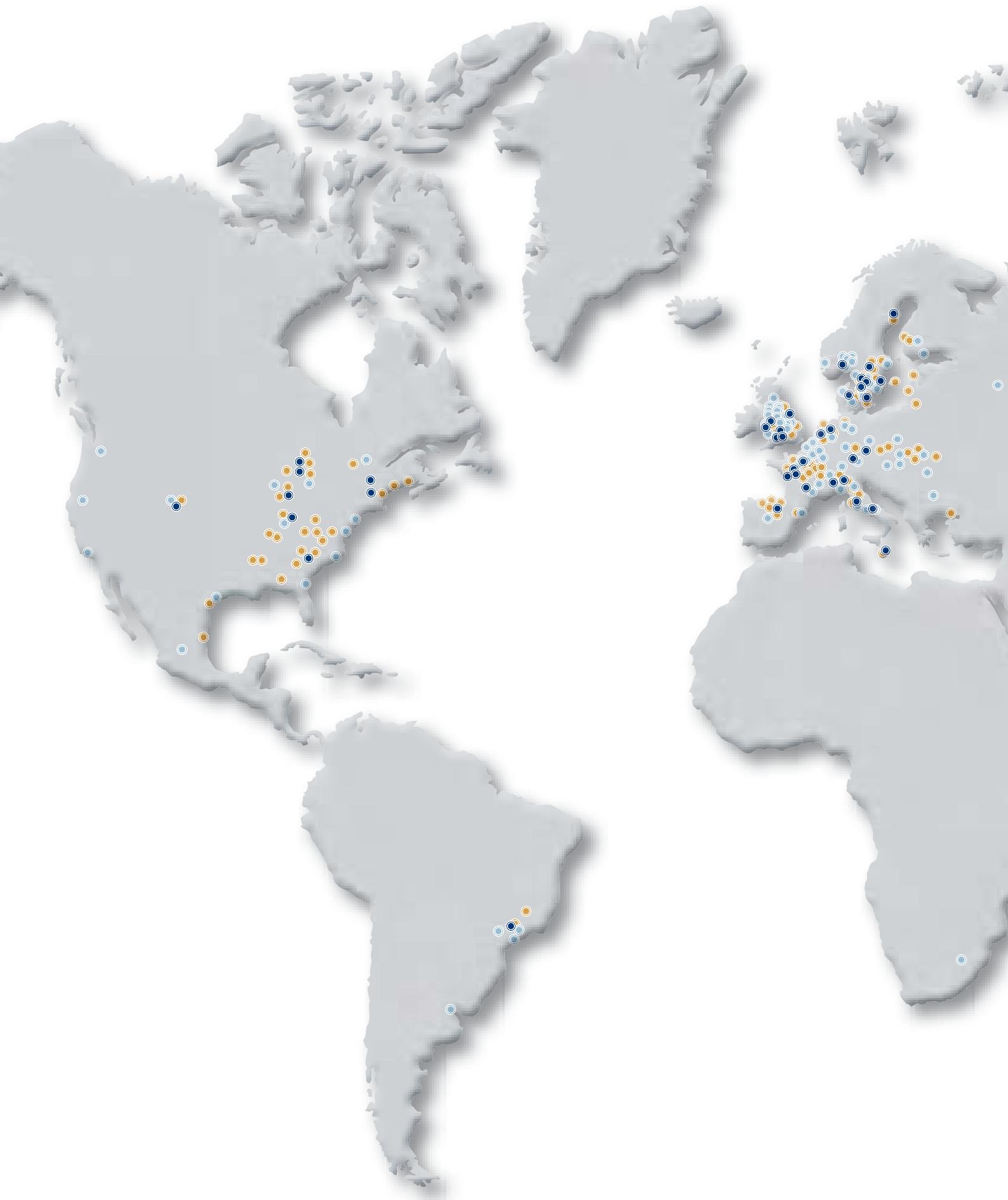
Market Office: Dubai, Sebel Ali  
Number of employees: 13

## USA

Production: Amelia, Aurora, Benton Harbor, Bristol, Broomfield, Canton, Carmi, Clearbrook, Fairlawn, Flat River, Fort Wayne, Hartville, Hudson, Houston, Mansfield, Milford, Morganfield, Morristown, Northborough, Northville, Park Hills, Randolph, Rutherfordton, Salisbury, Sandusky, South Haven, Spartanburg, Streamwood, Winchester  
Development units: Bloomfield Hills, Broomfield, Fort Wayne, Hartville, Northborough, Northville, South Haven, Spartanburg, Streamwood, Streetsboro, Suwanee  
Market Offices: Bloomfield Hills, Broomfield, Castro Valley, Colmar, Conshohocken, Fort Wayne, Fresno, Houston, Lombard, North Charleston, Nortville, Portland, Portsmouth, Torrance  
Number of employees: 2,815

## Vietnam

Market Office: Ho Chi Minh City  
Number of employees: 1





No, the world is not upside-down; turn the Annual Report and read more about how Trelleborg seals, dampers and protects in demanding environments.



**Turn over the Annual Report and join us on a quick tour of the events of the past year.**

Got an hour or two to spare? Turn over the Annual Report

Assuming responsibility for the future is part of our business concept; to seal, damp and protect in demanding environments. Our solutions protect people, the environment and investments. We now have a more efficient organization with high flexibility to address future changes. We continue our shift toward growing geographic markets while we improve and fine-tune our product portfolio.



Where our customers grow, we grow. In 2010, sales increased 23 percent in geographic markets outside Western Europe and North America compared with 2009. Since 2005, we have closed 30 facilities in other parts of the world where growth America and opened 15 new facilities. Compared with 2009, sales in 2010 increased in China by 53 percent, is greater. Compared with 2009, sales in India by 45 percent and in Brazil by 21 percent.



Leading positions in selected, profitable segments – this is one of the most crucial components of our strategy. During the year, we made acquisitions and took a number of global initiatives to grow in profitable segments. Our actions included signing a letter of intent with Freudenberg to form a joint venture that will become a global leader in anti vibration solutions for light and heavy vehicles. In parallel, we divested businesses to focus on more attractive segments for our company.



Return on shareholders' equity\* increased to 11.9 percent, extremely close to the target of 12 percent. We successfully focused on cash flow, which remained strong. Net debt declined by sek 1,960 M to sek 6,409 M. The Group's debt/equity ratio was reduced to 53 percent. Our earnings per share\* increased to sek 5.35 (2.70). The Board of Directors and the President propose a dividend of sek 1.75 (0.50) per share for 2010.



We sell more value-creating solutions and fewer products of a more basic nature. That we have become more cost-efficient and have raised productivity at our plants, to 122.1 percent, which means that we achieved our target. The margin trend proves Operating profit\* increased to SEK 2,036 M (734). The EBITDA margin increased



Sales\* amounted to SEK 27,196 m (24,769). Our organic growth\* was 17 percent. The target annual average organic growth over a business cycle is 5 percent. Demand continued to improve in most of our segments and we continued to capture market shares.



THE YEAR IN BRIEF 2010

GUICCIODU  
R GOT A FEW MINUTES  
TO SPRING? JOIN US ON A  
GUIDE TO THE EVENTS OF 2010

TRELELBORG

