

CONTENTS

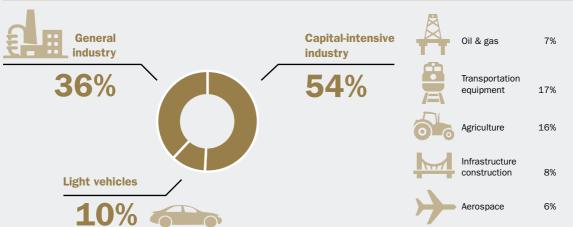
	The Trelleborg Share
l	The Group in brief10-13
	Targets and outcomes
	Key figures
l	Business areas14-23
l	Trelleborg Coated Systems
l	Trelleborg Industrial Solutions
l	Trelleborg Offshore & Construction
l	Trelleborg Sealing Solutions
	Trelleborg Wheel Systems22
	Vibracoustic & CGS Holding24-25
	Value-generating business development26-45
	The material with many applications27
	Value generation at Trelleborg28
	Strategy supported by four cornerstones30
	Blue Dimension [™] – solutions for better sustainability34
	Drivers for market presence36
	New technology generates multi-dimensional
	customer value45
	Corporate Responsibility46-61
	Foreword by the President and CEO
	Trelleborg focuses on material aspects48
	Managing Trelleborg's Corporate Responsibility
	Compliance with laws and codes
	Safe and efficient use of resources55
	Diversity provides opportunities60
	Broad-based community involvement61
i	Governance and responsibility62-79
l	Risks and risk management
l	Foreword by the Chairman of the Board68
l	Corporate governance69
l	Board of Directors76
l	Group Management78
	Financial information80-130
l	Comments on the consolidated income statements81
l	Consolidated income statements82
l	Comments on the consolidated balance sheets85
l	Consolidated balance sheets86
l	Comments on the consolidated cash-flow statements88
l	Consolidated cash-flow statements89
l	Notes - Group90
l	Parent Company income and cash-flow statements118
l	Parent Company balance sheets
l	Notes – Parent Company
	Proposed treatment of unappropriated earnings
	Audit report
	GRI G4 Index overview – Core
	Assurance report Corporate Responsibility
	Ten-year overview
	Shareholder information
	Addresses 133

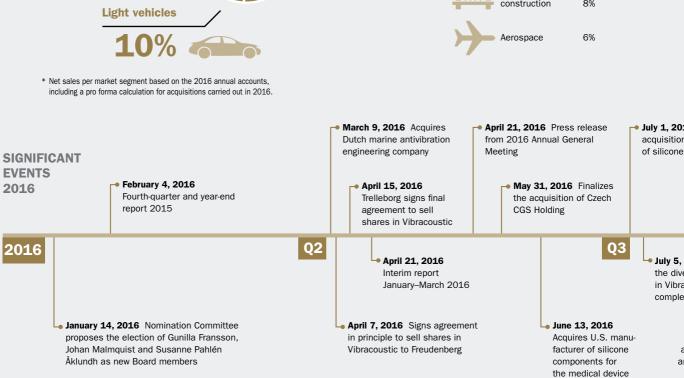
TRELLEBORG IN BRIEF 2016

Trelleborg is a world leader in engineered polymer solutions. We seal, damp and protect critical applications in demanding environments. Our innovative solutions accelerate performance for customers in a sustainable way.

FOUNDED IN	1905
HEAD OFFICE IN	TRELLEBORG
NUMBER OF COUNTRIES WITH OPERATIONS	50
LISTED ON NASDAQ STOCKHOLM, LARGE CAP	1964
NUMBER OF EMPLOYEES	23,245
SALES IN 2016 (SEK M)	27,145

SHARE OF THE TRELLEBORG GROUP'S SALES*





market

SOLID PLATFORM FOR THE FUTURE

Trelleborg has closed the chapter on yet another eventful year. The Vibracoustic joint venture was divested and the purchase of CGS Holding, Trelleborg's largest corporate acquisition in decades, was finalized. The Group has advanced its positions and has a solid structure in place for the future.

EBIT increased and the EBIT margin was sustained at a high level. Sales rose by 9 percentage points compared with the preceding year, predominantly driven by the acquisition of CGS in addition to other bolt-on acquisitions.

The Group's favorable results reflect its focus on leading market positions, higher value in customer solutions and effective cost control in an environment distinguished by a continued weak trend for several market segments. The decline in organic sales was mainly attributable to the oil & gas and agriculture segments, while a more positive trend was noted in the aerospace and light vehicles segments. Organic sales were lower year on year. Several growthpromoting investments were made during the year, at the

same time as the Group is driven by an interaction between organic and acquired growth.

Digital technology is yielding new growth opportunities for Trelleborg and the Group is focusing intently on the development of diverse digital offerings that simplify and increase value for the customer. This includes smart products with built-in sensors and tracking systems, as well as online design programs and digital solutions for web-based and mobile applications that make it easier to do business with Trelleborg.

The Group maintained its focus on CR work, reflecting a shared commitment, by Trelleborg and its suppliers, to comply with legislation and regulations, including international agreements. Trelleborg also aims to offer a safe workplace and resource-efficient production, and to be an attractive employer known for its diversity and dedication. The Group strives to raise the bar in all of these areas every year. Energy-efficient and climate-friendly operations is one example of an area where the Group works relentlessly to save energy and further streamline production.

Key figures, continuing operations, seк м	2016	2015
Net sales	27,145	24,803
Organic sales, %	-5	-2
EBITDA, excluding items affecting comparability	3,700	3,325
EBITDA margin, %	13.6	13.4
EBIT, excluding items affecting comparability	3,496	3,219
EBIT margin	12.9	13.0
Items affecting comparability	-391	-257
EBIT	3,105	2,962
Operating cash flow	3,460	2,282
Cash conversion ratio, %	99	71
Return on shareholders' equity, % 1)	10.1	11.5
Earnings per share, seκ 1)	8.18	7.73
Dividend, SEK	4.25	4.00

¹⁾ Including items affecting comparability.



August 10, 2016 •

Acquires a German

nd Swiss industrial

ntivibration supplier

October 3, 2016 Finalizes the acquisition of industrial antivibration supplier

> November 22, 2016 Finalizes the acquisition of manufacturer of precision seals

December 15, 2016 Presents new financial targets at Capital Markets Day

Annual General Meeting appointed

> September 28, 2016 Acquires U.S. manufacturer of precision seals for the aerospace industry

October 25, 2016 Interim report July-September 2016

All of Trelleborg's corporate press releases and news regarding products and solutions are available at www.trelleborg.com.

Q4

Hevea Brasiliensis is the Latin name for the rubber tree from which the sap is collected to produce rubber.



TRELLEBORG CONTINUES TO GENERATE VALUE

About the Group and its business areas 2-25

2016 was an eventful year for Trelleborg, with several major structural transactions. Despite weak demand from several segments, the Group achieved its highest sales and strongest profit to date.

Strategy that yields results 26-45

The positive earnings trend is linked to Trelleborg's continued development and optimization of the portfolio through new solutions, investments and acquisitions.

- contribute to a more sustainable society 46-61

A year distinguished by successes and challenges during which Trelleborg was able to begin showing how its innovative products and solutions are contributing to sustainability.

Corporate governance provides stable framework

62-79

The Board works to establish a clear and precise regulatory structure that supports long-term value generation, ensuring that Trelleborg stands on a firm foundation.

Financial information: net profit for the year 80-130



BEST PROFIT ON RECORD DESPITE WEAK DEMAND IN MANY MARKETS

Trelleborg's journey toward becoming a specialized polymer group continued at a high pace in 2016. The year was characterized by several major corporate transactions. The SEK 11 billion acquisition of the agricultural and specialty tires company CGS was followed by six other acquisitions. In addition, Trelleborg divested its 50 percent share in Vibracoustic. Another piece of news during the year was the adjustment of the Group's financial targets. This included raising the operating margin target, following a strong year when Trelleborg once again achieved its highest sales and profits ever.

Peter Nilsson, President and CEO of Trelleborg, what is the most important explanation for the strong figures?

Structural and organic growth in combination with good operational control at a local level are important to us. But the 9-percent growth in sales in 2016 was primarily driven by acquisitions. We can see that organic sales were negative during the year and this was a result of continued weak demand from several segments, such as agriculture, oil & gas and certain parts of the construction and civil engineering industry.

That we successfully maintained our margins, despite substantial exposure to several depressed industries, I see as confirmation that our strategy and operational model works. I can also see that we have been successful in integrating our acquisitions and despite this focus on integration work, we have maintained strict and careful cost control.

When you look back on 2016 at some stage in the future, which of the year's transactions will you see as most important for the long-term development of Trelleborg?

The divestment of Vibracoustic was an important transaction since I see it as the beginning of a new phase in the company's history. Trelleborg began its transformation

I see this as confirmation that our strategy and operational model work."

twenty years ago from a conglomerate to a more specialized company, focused on polymers. Over the past ten years, this transformation has been finely tuned in many small steps, where exposure to the light vehicles industry in particular has decreased and focus is on niches where we want to continue to operate.

At the same time, the acquisition of CGS creates a global position for our tire operation for agricultural machines and materials handling vehicles. It also complements our offering in other tire niches and broadens our geographical presence in other selected industrial segments, which significantly improves our positions in these sub segments in the long term.

If Trelleborg is now entering a new phase, does this mean it also needs a new strategy?

No, we feel we have a strategy model that will continue functioning highly effectively moving forward. We will remain a decentralized company with a local base and we will continue to improve our positions in order to be the clear leader in selected segments. We will continue to improve

the geographic balance and move our positions forward in geographic areas where we can increase our presence and improve cooperation with our customers, with a focus on making it easy for them to do business with us.

I firmly believe that we are actively following this strategy. Look at the example of developments in the aerospace segment over the past two years. We have upgraded two manufacturing sites in the U.S. for all practical purposes into completely new facilities. The focus has been on our global structure and we now have eight central hubs, in three different parts of the world. We have also expanded in selected sub segments, such as seals for aircraft fuselages. In this area, we have developed world-leading products, improved our test opportunities and invested in new operations in the U.S., U.K. and China. Our operations have also been complemented with four smaller acquisitions, such as the acquisition during the autumn of a company in the U.S. that adds a unique range of precision seals for the aerospace industry to our offering.

Similar journeys have been made in other segments, such as healthcare & medical, antivibration outside the light vehicles segment, marine systems and agriculture. Trelleborg has again invested in new products, new facilities and bolt-on acquisitions. This has occurred in very small steps, but overall, the changes are considerable and our positions have improved notably compared with a few years ago.

You now have operations in about 40 niches – isn't there a risk that the Group becomes too broad?

It is an important part of our strategy to be present in segments where we can hold a leading position. If that happens to be a minor segment or not, that does not matter for Trelleborg. I see being broad as a strength, as it provides us with stability. When the economy is weak in some industries then it is strong in others. We can distribute resources, continue to grow at a Group level, retain a long-term approach

and, above all, achieve stable and healthy profitability. I think that last year clearly shows that this strategy works.

Many of last year's acquisitions are smaller companies from completely different segments and on different geographic markets. Is there a common thread with these acquisitions?

There are a few clear common elements. If you look at the last two years, then the companies acquired are primarily within five clear segments. These include the aerospace segment, while another is healthcare & medical, with the important acquisitions of Silcotech and SSF. Within the field of tires, we have increased both our geographic reach and product range with the acquisition of Armstrong, Standard Tyres and, not least, CGS, and a few other smaller acquisitions. We also have our

We will continue to cooperate with our customers with a focus on making it easy for them to do business with us."

marine operations, where the acquisition of Maritime and Marimatech has moved us to where we want to be and strengthened our total offering. Within antivibration solutions, Schwab and Loggers have significantly improved our position in rail vehicles and vessels.

Another common denominator with the acquisitions is that the companies all support our organic growth by improving our offering and our positions, thus making us a more complete partner for our customers. They simply fit in at Trelleborg.

For various reasons over the past two years, a number of companies have been put up for sale that have fitted into the Group. This process is difficult to control and we must act when opportunities arise. However, it is important to point out that we are not opportunistic, rather the companies we have acquired are businesses that we have been monitoring for several years.

Will you continue to acquire companies, and if so what types of companies?

In 2017, we will probably make fewer acquisitions. Our focus is on integrating the completed acquisitions and strengthening the balance sheet. But we are always open to acquiring good companies that drive our organic growth. I expect these to be smaller, but you never know.

We will also continue to invest at a historically high level in order to position ourselves in the best possible way with a long-term focus and to improve conditions for organic growth, not least in the acquired businesses, to leverage all the new possibilities these create for us.

Your largest acquisition last year was the Czech-based CGS Holding, how is the integration process progressing?

It was a special acquisition, partly because it was large but also because different parts of CGS fit into different business areas at Trelleborg. In some areas, CGS complements our product offering, in others it offers us an opportunity to reach new customers and in several cases it complements us geographically.

So we are working with quite a complex integration. Our focus is on customers though at the same time, we have assessed that synergies up until 2020 will amount to about SEK 400 M, so naturally we are also focusing on this. These are mainly cost synergies, but also a great deal of sales synergies. The estimate could be conservative and is based on how the market looks today. If there is a rise in demand, then sales synergies, above all, will increase.

CGS, with an exposure to the weak agricultural sector, is one of several acquisitions that is operating in a depressed market. Has the timing for these acquisitions really been optimal?

We always maintain a long-term perspective. It is therefore important to say that even if we work to gain cost synergies in all of our acquired companies, we do not maximize this work fully within companies that operate on depressed markets. We take

ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-1

a more long-term view of this and must be sure that we can handle a future rise in demand. Because we know that it will eventually turn around. Take the agricultural market as an example, where sales of machinery are down about 25 percent from its peak. We now see how cereal production is continuing to rise, without sales of tractors and other machinery increasing, but rather decreasing. This gap can, of course, not continue to grow for too long. So, we do not know when it will turn around, but we must be prepared when it does. We prefer of course to buy a company on a market that is close to the bottom than one that it is close to its peak.

We prefer of course to buy a company on a market that is close to the bottom than one that it is close to its peak."

Trelleborg has changed several financial targets during the year, including the growth target. What is behind this?

The previous target included only organic growth and was at 5 percent. We felt that we needed to include acquisitions in the growth target and have therefore established a target for a combined growth of 5-8 percent. This is a way to show that Trelleborg is driven by an interaction between organic and acquired growth. The target is over an economic cycle and will for some years be either above or below this range. However, we do not see the change to the growth target as particularly dramatic. Since 2009, we have actually reported average growth of about 6 percent.

The raise of the operating margin target from 12 to 15 percent could be seen as more aggressive as Trelleborg has never achieved this level, what is behind this change?

At Trelleborg, we have improved our position in several of our niches. Substantial synergies can still be gained from acquisitions. I believe digitalization is also positive for us

and that we will benefit from it on several fronts. Moreover, recent years have shown that Trelleborg can maintain healthy margins even if parts of the Group are suffering from weaker demand. This all suggests that the new margin target is entirely realistic and attainable.

Today, almost all major engineering companies are talking about how digitalization, internet and the Internet of Things is influencing their operations. How is Trelleborg adapting to new technology and new trends?

This is something we are continuously working with as it strongly changes how our customers act and work and thus also the conditions for us. It creates new opportunities that we must fully leverage. All of our operations must take advantage of the opportunities offered by new technology in all areas of the company, always in the best interests of the customer.

Our products are becoming increasingly intelligent and in turn have a higher value for the customer. One good example is a product in offshore oil & gas that can now monitor waves and water movement using advanced sensors and thus provide more efficient operation of drill rigs. Digitalization and mobile technology also opens up for new ways to integrate with and make life easier for our customers, such as various ways to offer support via the internet or apps. Our marketing and way of communicating are also changing, as we utilize 'big data' to refine information about how our customers think and act. We do all of this with the overall ambition of making it easier for customers to do business with us than with our competitors.

Our products are becoming increasingly intelligent and in turn have a higher value for the customer."

However, digitalization and other new technology are still in their infancy in many of our industries and we are probably only at

the beginning of this journey. Our assessment is that we are at an advanced stage compared with our competitors in terms of digitalization, though there is of course still a lot to be done.

How are you working to stay ahead of your competitors?

I would like to refer here to our Excellence Programs, which is at the core of our continuous work to improve our processes in production, purchasing, capital management and sales, and where we also run projects linked to digitalization in the various sub-programs. This is largely about taking care of our resources in the best way and goes hand-in-hand with our clear responsibility for the environment and for people within the framework of our Corporate Responsibility (CR). Contributing to a sustainable society is a business opportunity for us.

In the next few years, it is naturally one of our main tasks in the CR area to work to improve our newly added operations to ensure they reach the target levels we strive for in the Group.

Trelleborg is, and should continue to be, a decentralized Group, at the same time as we must learn from each other at a local level and utilize our global capacities. Talent development is increasingly important. Our ambition is to utilize talented people across the entire Group and, through these, disseminate work methods, processes and successful local initiatives.

During 2016, we invested more than ever in our own university, the Trelleborg Group University, and this will continue in 2017. More than 6,000 employees are taking part in its various programs at the moment. We want all employees to feel that they can develop within Trelleborg. This provides us with the best employees. Besides, we already have the best employees, and will continue to have in the future.

Trelleborg, February 2017



STOCK MARKET YEAR FOR THE TRELLEBORG SHARE

The price trend for the Trelleborg share remained positive during the year. On average, the share's total yield over the past five years has been highly favorable.

Share performance. The price of Trelleborg's Series B share rose 9 percent (25) in 2016 while the index of comparable industrial companies, SX2000 Stockholm Industrials, rose 19 percent (10). Nasdaq Stockholm, in its entirety, rose 6 percent (7).

Total yield. The Trelleborg share's total yield rose by 12 percent during the year, compared with an increase of 10 percent for the SIXRX index¹⁾. Over the past five years, Trelleborg's Series B share has averaged a total yield of 30 percent per year. The corresponding figure for SIXRX is 16 percent.

Share price and turnover. In addition to Nasdaq Stockholm, the Trelleborg share is traded on such marketplaces as Chi-X, Turquoise and BATS Europe. Nasdaq Stockholm is the largest, with 56 percent (66) of the share trading.

In 2016, a total of 314 million Trelleborg shares (334) were traded, corresponding to a turnover rate of 116 percent (123). The turnover of the Trelleborg share on Nasdaq Stockholm was 176 million (221), corresponding to a turnover rate of 65 percent (81).

The total share turnover for the Series B share²⁾ was SEK 48,603 M (48,541). The average daily turnover²⁾ on all marketplaces was 1,241,745 shares (1,330,613), or SEK 193.9 M (193.4).

During the year, the highest price was SEK 186.00 on December 15, and the lowest price was SEK 134.50 on February 9.

Market capitalization at year end amounted to SEK $48,603 \,\mathrm{M}$ (44,673).

Shareholders. Trelleborg's Series B share has been listed on the stock exchange since 1964. The share is currently quoted on the Nasdaq Stockholm Large Cap. 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 carries ten votes and each Series B share carries one vote.

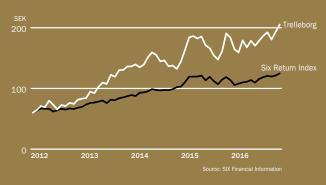
All of the Series A shares are owned by the Dunker Interests, comprising a number of foundations, funds and asset-management companies created through testamentary disposition by the former owner and founder of the Helsingborg and Trelleborg rubber production facility, Henry Dunker, who died in 1962. For further information about the Dunker Interests and their holding in Trelleborg AB, visit www.trelleborg.com.

Analysts. For a current list of the analysts who continuously monitor Trelleborg, visit www.trelleborg.com.

Price trend and trading volume Jan 1 – Dec 31, 2016



Total yield, Trelleborg compared with SIX Return Index



¹⁾ SIXRX, Six Return Index, the average trend on Nasdaq Stockholm including dividends.

 $^{^{2)}\ \}mbox{Including shares traded after hours.}$

Dividend yield Dividend per share SFK 2 13 14 15 16 12 13 14 15 16

DIVIDEND

Trelleborg's dividend policy is that, over the long term, the dividend should amount to between 30 and 50 percent of net profit for the year. The dividend is adjusted to such factors as the Group's earnings level, financial position and future development potential. For 2016, the Board and President propose a dividend of SEK 4.25 (4.00), which corresponds to about 17 percent of net profit for the year.

The lower percentage for 2016 is impacted by the higher net profit resulting from the divestment of Vibracoustic. Calculated for continuing operations, which excludes the capital gain for Vibracoustic, the dividend corresponds to about 52 percent of net profit for the year.

Key data per share

SEK	2016	2015	2014	2013	2012
Continuing operations					
Earnings	8.18	7.73	7.13	5.20	6.27
Earnings excl. items affecting comparability	9.23	8.39	7.79	6.52	6.03
Total					
Earnings 1)	24.30	9.60	8.20	5.93	7.53
Shareholders' equity 1)	92.73	68.70	65.54	54.72	51.56
Dividend ²⁾	4.25	4.00	3.75	3.25	3.00
Dividend as a % of earnings per share	17 ³⁾	42	46	55	40
Dividend yield, %	2.4	2.4	2.8	2.5	3.7
Market price, Series B share, Dec. 31, last paid price, SEK	179.30	164.80	132.00	127.90	80.55
Total dividend, seк м	1,152	1,084	1,017	881	813
P/E ratio	7	17	16	22	11
Number of shares					
At December 31	271,071,783	271,071,783	271,071,783	271,071,783	271,071,783
Average	271,071,783	271,071,783	271,071,783	271,071,783	271,071,783

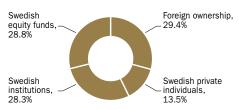
¹⁾ There were no dilutive effects. 2) According to the Board of Directors' and President's proposal. 3) Impacted by the higher net profit resulting from the divestment of Vibracoustic.

Trelleborg AB's ten largest shareholders, December 31, 2016

	Shareholder	TREL A	TREL B	Value (sek m)	Percentage of capital, %	Percentage of voting rights, %
1	Henry Dunker Donation Fund & Foundations	28,500,000	0	5,110.05 ¹⁾	10.51	54.02
2	AMF Insurance & Funds	0	16,961,140	3,041.13	6.26	3.21
3	Didner & Gerge Funds	0	15,269,660	2,737.85	5.63	2.89
4	Lannebo Funds	0	9,347,224	1,675.96	3.45	1.77
5	First Swedish National Pension Fund	0	8,761,951	1,571.02	3.23	1.66
6	Allianz Global Investors	0	6,165,087	1,105.40	2.27	1.17
7	Swedbank Robur Funds	0	5,321,385	954.12	1.96	1.01
8	Handelsbanken Funds	0	5,272,500	945.36	1.95	1.00
9	Vanguard	0	5,257,161	942.61	1.94	1.00
10	Nordea Funds	0	4,745,142	850.80	1.75	0.90

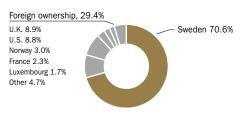
Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

Ownership structure December 31, 2016, holding, %



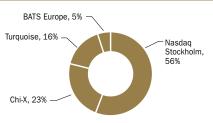
Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

Owner by country, %



Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others

Trading platforms for the Trelleborg share, % of total trading



Source: SIX Financial Information

¹⁾ TREL A is not traded on any marketplace but is assessed as having the same value as TREL B.

Distribution of shares, December 31, 2016

No. of shares	No. of shareholders	Percentage of total no. of shares, %
1 – 1,000	42,679	81.6
1,001 - 5,000	7,832	15.0
5,001 – 20,000	1,297	2.5
20,001 –	474	0.9
Total	52,282	100.0

Number of shares, voting rights and share class

Class of share	Capital, %	Shares	Voting rights, %
Series A	10.5	28,500,000	54.0
Series B	89.5	242,571,783	46.0
Total	100.0	271,071,783	100.0

Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.



SUSTAINABILITY INDEXES

The Trelleborg share was included in the following sustainability indexes in 2016:

- OMX GES Sustainability Sweden GI/PI
- OMX GES Sustainability Sweden Cap GI/PI
- OMX GES Ethical Nordic
- OMX GES Ethical Sweden
- OMX GES Sustainability Sweden Ethical GI/PI
- SEB Ethical Cap GI



FREQUENTLY ASKED QUESTIONS FROM ANALYSTS AND SHAREHOLDERS

Trelleborg has reduced its target for return on shareholders' equity from 15 to 12 percent – why?

The reason for this is because the sale of Trelleborg's share of Vibracoustic, combined with a one-off dividend from Vibracoustic, increased shareholders' equity by nearly 25 percent.

This makes it more challenging to achieve a higher return since the base is bigger, but at the same time it creates a significantly more stable balance sheet.

You don't seem to comment on the price of raw materials – except for the price of oil – why not?

We are less dependent on the price of raw materials than in the past, since our products and solutions have a higher technology content. Meanwhile, our light vehicle operations have shrunk, which were affected to a greater degree by movements in raw material prices.

Trelleborg is impacted by raw material prices in individual quarters, but in the medium term, these have a neutral effect on our margins.

How will Brexit affect the Group?

To date, the effect of Brexit has been very limited. Before completion of the negotiations regarding the terms and conditions, we do not wish to speculate on the effects that an actual U.K. exit may have on Trelleborg in terms of new trade agreements, dynamic changes in currencies, etc.

The U.K. accounts for about 6 percent of the Group's sales and about 1,600 employees work in the country. The manufacturing sites in the U.K. supply local and global markets and customers.

Will a more protectionist U.S. under President Trump impact Trelleborg?

The announced infrastructure investments benefit Trelleborg in the short term given our long-standing presence in the U.S. with development, production and sales activities. That said, trade barriers of various forms are never good for long-term sustainable enterprise and development, neither for individual countries nor global economies.

Will your relatively low share of aftermarket sales change moving forward?

Yes, digital technology will enable us to secure a larger aftermarket. For example, we will be able to offer our customers a tracking system that indicates when their seals, tires or equipment require service or should be replaced.

More and more of Trelleborg's businesses are shifting from simply supplying products to delivering service and solutions.

Can we expect the EBIT margin to fall at the expense of volumes?

We do not intend to relax our margin discipline. However, we do intend to place more emphasis on growing organically while maintaining our margins. We expect volumes to rebound when demand, and thus raw material prices, recover.

In such a market situation, we do not need to raise our prices by as much in percentage terms as our competitors to compensate for higher raw material prices, thereby making us more competitive in the long term.

THE GROUP IN BRIEF TARGETS AND OUTCOMES

The Trelleborg Group strengthened its positions during the year despite challenging market conditions in several segments. Strict and precise cost control was maintained despite the Group growing by about one-fifth, which required integration measures to be taken. However, new acquisitions had a temporary adverse impact on the outcome of certain indicators in the Corporate Responsibility (CR) area. Otherwise, the CR activities reflect the Group's commitment to comply with legislation and regulations, provide a safe and secure workplace with resource-efficient production and retain its position as an attractive employer characterized by diversity and social commitment.

RESOURCES

Health and safety

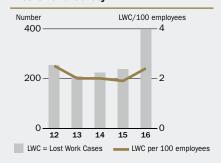
Focus and target: The key figure of occupational injuries and illnesses with at least one day's absence is defined as Lost Work Cases (LWC) per 100 full-time employees per year.

In addition, the number of working days lost due to occupational injuries and illnesses is measured at each individual site.

Outcome: In 2016, the average outcome was 2.4 LWCs (1.9) per 100 employees. The increase is entirely attributable to newly added units during the year.

The average number of days lost per injury was 24.1 (29.8).

Health and Safety



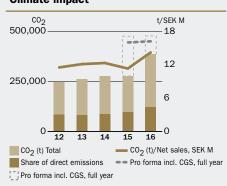
Climate

Focus and target: The "20 by 20" target aims to reduce direct and indirect CO₂ emissions (Scope 1 and 2) by at least 20 percent relative to sales by 2020 (compared with base year 2015 and the pro forma value of 16.0 metric tons/sex M, see below and page 55 for more information).

Outcome: In 2016, the value was 14.2 metric tons/sex M (11.3), with the increase entirely attributable to newly added units, which have resulted in a new product mix and new geographic footprint for the Group. To enable accurate comparisons moving forward, pro forma values have been calculated for 2015 and 2016, including the outcome for CGS's units for the full years.

Refer to pages 55-59 for details, including the "20 by 20" target for the years ahead.

Climate impact



SALES GROWTH

EBIT MARGIN

RETURN ON SHAREHOLDERS' EQUITY

REGULATORY COMPLIANCE

Anti-corruption and human rights

Focus and target: Zero tolerance applies to bribery, corruption, cartel and other criminal behavior, child and forced labor, and discrimination (reported and reviewed). At the end of 2017, 85 percent of employees will have completed Code of Conduct training.

Outcome: Zero cases (0) of significant breaches of laws and permits that resulted in legal consequences or fines were reported in 2016. Furthermore, zero cases (0) of child labor or forced labor were reported. Of 5 reported cases of discrimination (8), a settlement was reached between the parties in the majority of cases, while others are still subject to negotiations.

During the year, 14 matters were reported via the whistleblower system. In some cases, reviews were carried out, which identified non-compliances with the Group's Code of Conduct and policies, and relevant measures were taken in these cases. Refer to pages 53-54.

Suppliers

Focus and target: The Group aims to only work with suppliers who adhere to the applicable sections of Trelleborg's Code of Conduct.

Audit in the form of self-assessment to be completed with suppliers corresponding to 80 percent of the relevant global purchasing value in the production units, as defined by Trelleborg.

Outcome: Despite newly acquired units and the subsequent addition of many suppliers, Trelleborg met the target level. Suppliers corresponding to about 81 percent (84) of the value defined by Trelleborg were audited.

Refer to page 54 regarding supplier audits and how they strengthen supplier review activities.



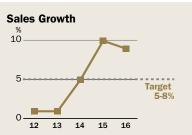
TARGET OR

TARGET 5-8%

Total sales growth, including organic growth in excess of the underlying market growth for continuing operations over an economic cycle

OUTCOME: 9%

Sales growth of 9 percent (10) was primarily acquisitiondriven. Organic sales declined by 5 percent, structural changes contributed 15 percent and exchange rate effects had a negative impact of 1 percent on sales.



TARGET ≥ **15**%

EBIT margin, excluding items affecting comparability for continuing operations over an economic cycle

OUTCOME: 12.9%

The EBIT margin of 12.9 percent (13.0) declined slightly compared with the preceding year, with the trend in the oil & gas segment and integration costs in conjunction with acquisitions, for example, negatively impacting the margin.



TARGET ≥ **12**%

Return of shareholders' equity (ROE) for continuing operations over an economic cycle

OUTCOME: 10.1%

The capital gain in connection with the divestment of Vibracoustic increased equity, although this had a negative effect on return on shareholders' equity for continuing operations. The outcome was 10.1 percent (11.5).



DIVERSITY

Focus and target: Trelleborg works to attract, develop and retain talented young people and aims to achieve a balanced mix in terms of ethnicity and gender, especially at management levels.

As of 2016, the aim is to continuously increase the share of female managers at management levels 4-5.

Outcome: In 2016, the share of women at management levels 4-5 in Trelleborg's units was 24 percent. This is the same percentage as for the organization as a whole (refer to page 32). The share of women is highest at level 5, 27 percent, while the figure at level 4 is 13 percent.

The share of women in Group management is 9 percent (9), and on the Board 33 percent (33).



TARGETS

SOCIETY

ENTATION

SOCIETY

Focus and target: Trelleborg supports the local communities in which it operates by participating in a variety of social activities, and at selected locations by providing support for teaching and educational activities for young people, often with a focus on meaningful leisure activities. These operations are to be continuously developed over time by adding new programs.

Outcome: In many of the places where Trelleborg operates, the company has partnerships with, for example, schools, universities and interest groups. With regard to sports sponsorship, youth activities are prioritized, while the company is also involved in a number of special programs that support child and youth development in such countries as Sri Lanka, Brazil and India. The program in Sri Lanka was expanded to include another school in 2016. Refer to page 61.

THE GROUP IN BRIEF **NEW PLATFORM - FOCUS ON PROFITABLE GROWTH**



ULF BERGHULT. CHIEF FINANCIAL OFFICER

Trelleborg communicated its new financial targets in December 2016.

Yes, the major structural changes that have occurred at Trelleborg justified an amendment to the financial targets of the Group. These are targets that we consider realistic and compatible with responsible risk-taking.

Describe the organic sales trend in geographic terms.

It is mixed and highly dependent on sales in the various segments. Excluding project deliveries, the organic sales trend in the western regions of Europe was negative, but positive in the east. Similarly, it was negative in North America but positive in South and Central America. In Asia and other markets, the sales trend was highly positive.

Consolidated EBIT was once again the highest to date for a full year.

We maintained firm control over our costs and are seeing the effects of our restructuring measures, at the same time as acquired companies also made a positive contribution to earnings during the year.

Can you comment on the extremely strong operating cash flow?

Operating cash flow rose by 52 percent during the year. The increase in earnings compared with 2015, which was partly generated in acquired operations, had a positive effect on cash flow. The rate of investment declined 13 percent compared with 2015. Moreover, a positive change in working capital, primarily in the final quarter, impacted cash flow for the year.

LONG-TERM FINANCIAL GUIDANCE

30-50 percent of net earnings » Dividend:

» Capital expenditures: ~ 4-5 percent in relation to sales

» Gearing net debt/equity: 50-100 percent

FINANCIAL GUIDANCE 2017

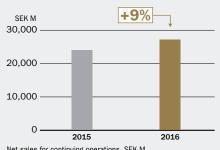
» Restructuring charges: ~ SEK 350-450 M

» Capital expenditures: \sim SEK 1,500-1,700 M

» Underlying tax rate: ~ 26 percent

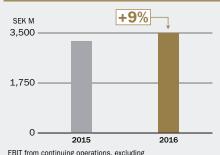
» Amortization of intangible assets: ~ seк 300 м

A Net sales



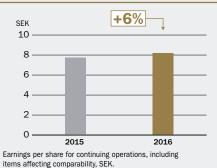
Net sales for continuing operations, SEK M.

B EBIT



items affecting comparability, SEK M

C Earnings per share



SENSITIVITY ANALYSIS

The calculations have been made based on figures from the end of the year and on the assumption that all else is equal.

Costs

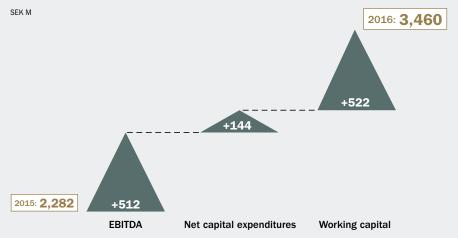
» The annual cost of purchasing materials and services for 2016 amounted to SEK 12,801 м. Employee remuneration amounted to SEK 8,247 M. An increase or reduction in purchasing costs of 1 percent would reduce or increase EBIT by approximately SEK 130 M. Correspondingly, an increase in the cost for employees of 1 percent would lead to a reduction in EBIT of approximately SEK 80 M. However, Trelleborg's cost control and strong market position, combined with margin discipline, mean that when costs for raw materials increase, the Group as a premium supplier does not need to raise

ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-9

	Key figures, continuing operations, seк м	2016	2015	Change, %
A	Net sales	27,145	24,803	9
B	Organic sales, %	-5	-2	
	Structural changes, %	+15	+2	
	Exchange rate effects, %	-1	+10	
B	EBIT, items affecting comparability	3,496	3,219	9
	EBIT margin, %	12.9	13.0	
G	Items affecting comparability	-391	-257	
	EBIT	3,105	2,962	5
	Profit before tax	2,896	2,809	3
	Net profit, discontinuing operations	4,369	509	758
	Net profit	6,585	2,605	153
C	Earnings per share, continuing operations, $\operatorname{SEK}^{(1)}$	8.18	7.73	6
	Earnings per share, Group total, $\operatorname{SEK}^{(1)}$	24.30	9.60	153
D	Operating cash flow	3,460	2,282	52

¹⁾ Including items affecting comparability.

Operating cash flow, change between 2015 and 2016 1)



Excluding items affecting comparability.

its prices in percentage terms as much as its competitors to compensate for higher raw material prices.

» A reduction or increase in interest rates of 1 percent would have a positive or negative effect on net financial items of approximately sek 70 м based on the current level.

Global market oil price

» A low global market oil price principally affects the Trelleborg Offshore & Construction business area, whose offshore oil & gas operations account for approximately half of its sales. At the same time, a lower oil price could stimulate other parts of the Group and the Group's purchases of raw materials.

Currency impact

» Trelleborg's earnings are largely generated outside Sweden. Exchange rate fluctuations therefore impact the Group's sales and earnings when translating the foreign operations from local currencies to SEK. Based on 2016's EBIT in local currency, a 5-percent depreciation or appreciation of SEK against all currencies would have led to a positive or negative impact of approximately SEK 170 M on consolidated EBIT in 2016.

"> Trelleborg is principally exposed to usb, EUR and GBP. Based on 2016's currency flows, the year's EBIT would have increased or decreased by approximately SEK 80 M in the event of a 5-percent appreciation or depreciation of usb, EUR or GBP against SEK.

Continuing operations

Continuing operations encompasses the Group's five business areas, the Rubena and Savatech operations, central staff functions and a Groupwide activity, but excludes already divested operations/assets held for sale.

Net sales



Organic sales growth is the sales growth that Trelleborg generates through its own operations and in its existing structure, for example, through new sales initiatives.

Structural changes

Structural change is either sales growth that Trelleborg creates through acquisitions or a reduction that occurs as a result of a divestment. For more information concerning acquisitions in 2016, refer to page 31.

Exchange rate fluctuations

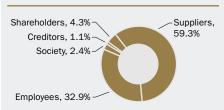
Exchange rate fluctuations impact the Group's sales and earnings when translating the foreign operations from local currencies to SEK.

■ Items affecting comparability

Items affecting comparability refers to, for example, costs for restructuring programs not included in normal operations. They should therefore be subtracted to provide a more accurate indication of how the underlying operations are performing.

For complete income statements, balance sheets and cash-flow statements, refer to pages 81-89.

Distributed value 2016



In total in 2016, Trelleborg's operations generated economic value totaling sex 27,466 $\rm m$ (25,489), of which sex 25,053 $\rm m$ (22,797) was distributed among stakeholders as shown in the diagram above and specified below:

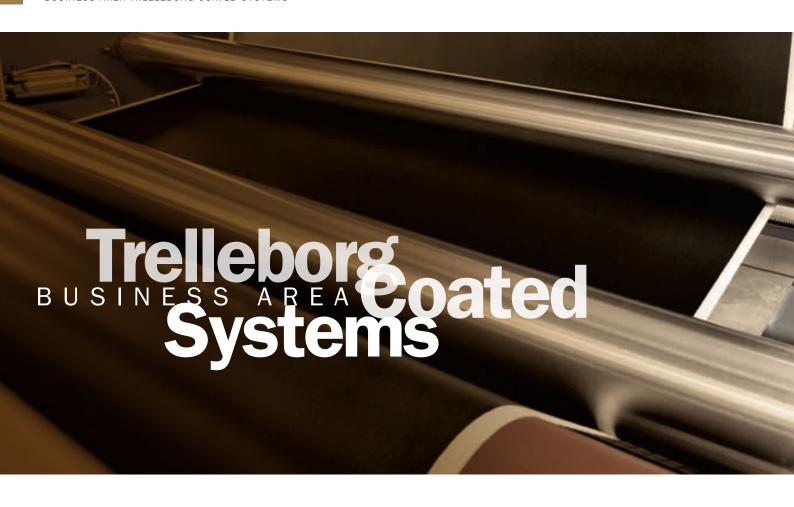
Suppliers: Payment for material and services: SEK 14,852 M (13,601), Note 4.

Employees: Salaries and benefits: SEK 8,247 M (7,518), Note 4.

Shareholders: Dividend in 2016: SEK 1,084 M (1,017). Long-term dividend policy: 30-50 percent of net profit for the year, refer to page 8.

Creditors: Interest expenses: SEK 277 M (189), Note 8.

Society: Taxes paid: SEK 593 M (472), refer to page 89.



Trelleborg Coated Systems is a leading global supplier of unique customer solutions for polymer-coated fabrics deployed in several industrial applications.

We see development and expansion opportunities in several segments, niches and geographies – particularly for our polyurethane-coated fabrics.

Dario Porta,Business Area President

Sales and earnings

Organic sales for the full year decreased 2 percent compared with 2015. Sales of coated fabrics declined during the year. A positive organic performance was reported primarily in Asia, although this could not fully offset lower sales in Europe and North America. Organic sales of printing blankets were unchanged during the year as a result of a favorable trend in Asia in parallel with a weaker performance in other regions.

EBIT and EBIT margin rose somewhat compared with the preceding year, mainly

due to implemented restructuring programs, streamlining of production and effective cost control. Measures to further improve profitability are proceeding according to plan. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK $5\,\mathrm{M}$ on EBIT compared with 2015.

Selection of events in 2016

- » Continued to develop an even more specialized and niche-oriented market offering.
- Within printing blankets, continued to develop new products, such as offset blankets for sheet-fed and packaging applications as well as for two-piece can printing.
- » Within engineered coated fabrics, continued to develop new products, such as heavy-lift aerostat and retrieval bags in surgical suites.
- » Increased focus on enhanced customer services, for instance via an app that enables printers to select the most suitable blanket.

Current priorities

- » Grow in selected segments and geographies.
- » Invest in innovation products and services.
- » Continue to optimize manufacturing footprint.
- » Focus on operational excellence and cost efficiency initiatives.
- » Seek selected bolt-on acquisitions.

ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-13



MARKET SEGMENTS

General Industry: Printing and coating plate solutions for all types of offset printing, as well as flexo and digital printing. Carrier sleeve product line for packaging flexo printing. Coated fabrics and calendered materials for multiple industrial applications, including belts, gaskets, seals and hoses, as well as healthcare & medical accessories, such as wound retractors, cuffs and mattresses.

Transportation equipment: Coated fabrics for train bellows, among other applications.

Aerospace: Coated fabrics used in, for example, aircraft evacuation slides, aerostats, life rafts, helicopter safety floats and thermal protections for space rockets.

Light vehicles: Calendered materials for brake shims and belts, for example.

PRODUCTION UNITS: Brazil, China, France, Italy, Sweden, the U.K. and the U.S.

MARKET OFFICES: Austria, Brazil, China, France, Italy, Japan, Sweden, the U.K. and the U.S.

EXAMPLES OF BRANDS/PRODUCT NAMES:

Axcyl®, Printec®, Rollin® and Vulcan®.

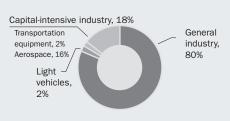
KEY CUSTOMERS: Companies mainly active in the general industry segment including the graphic industry, the healthcare & medical industry and aerospace industry.

PRINCIPAL COMPETITORS: Continental, Flint Group, Kinyo, Lamcotec, Meiji and Pennel & Flipo.

Net sales per geographic market, %



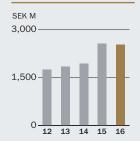
Net sales per segment, %



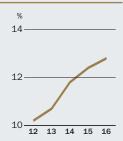
Employees per geographic market, %



Net sales



EBIT margin



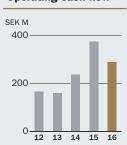
EBIT



ROCE



Operating cash flow



THE BUSINESS AREA'S LONG-TERM TARGET FOR EBIT MARGIN >15%

Key figures, excluding items affecting comparability, SEK M	2016	2015
key ligures, excluding items affecting comparability, sek m	2010	2019
Net sales	2,526	2,559
Share of consolidated net sales, %	9	10
EBIT	323	317
EBIT margin, %	12.8	12.4
Capital employed	3,863	3,617
Return on capital employed (ROCE), %	8.6	8,4
Capital expenditures	69	73
Operating cash flow	290	376
Cash conversion, %	90	118
Number of employees at year-end, including insourced staff and		
temporary employees	1,248	1,340



Trelleborg Industrial Solutions is a leading supplier of polymer-based critical solutions in such industrial application areas as selected hose and sealing systems and antivibration solutions for rail vehicles, vessels and industrial equipment.



Sales and earnings

Organic sales for the full year declined by 2 percent compared with 2015. Most geographic markets reported negative organic sales, apart from Asia where the organic sales trend was marked by healthy deliveries to principally the automotive industry.

EBIT and EBIT margin declined compared with the preceding year, due primarily to lower project deliveries. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 10 M on EBIT compared with 2015.

Selection of events in 2016

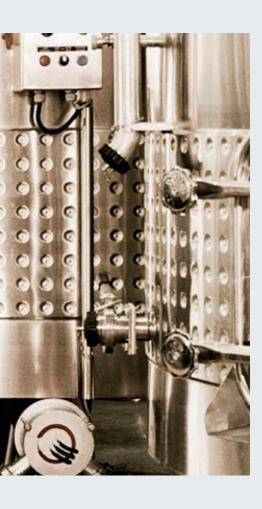
- » Acquired an engineering company that provides specially engineered antivibration solutions principally within marine applications.
- » Launched several new products, including a cryogenic floating hose-in-hose solution for liquid natural gas (LNG) transfer and several new locked-in sealing systems for wastewater pipes.
- » Decided to build yet another facility for automotive boots in China.
- » Acquired a supplier of components and systems for industrial antivibration mainly for the rail market.
- Intensified market communication in various areas and channels.

Current priorities

- » Focus on profitable growth.
- " Create value through product innovations.

- » Develop a world-class operation for industrial antivibration.
- Continue to expand into new markets.
- » Continue to optimize the manufacturing footprint.

16 ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-13



MARKET SEGMENTS

General industry: Fluid-handling solutions, for example, in hoses, expansion joints and elastomer materials. Antivibration solutions, such as vibration dampers and precision components. Sealing profiles for facades, windows and doors.

Oil & gas: Marine hoses for handling oil and gas.

Infrastructure construction: Pipe seals and repair of drinking water and wastewater systems.

Transportation equipment: Vibration-damping and acoustic solutions for rail vehicles and marine applications as well as off-highway vehicles.

Light vehicles: Polymer boots for drive shafts and steering applications.

PRODUCTION UNITS: Brazil, China, the Czech Republic, Estonia, Finland, France, Germany, India, Lithuania, Mexico, Poland, Spain, Sweden, Turkey, the U.K. and the U.S.

MARKET OFFICES: Austria, Brazil, China, Finland, France, Germany, Hungary, India, Mexico, the Netherlands, Norway, Poland, Russia, Spain, Sweden, Turkey, the U.K. and the U.S.

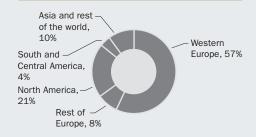
EXAMPLES OF BRANDS/PRODUCT NAMES:

CRYOLINE®, DragonCoat®, epros®, Forsheda®, KLELINE®, Metalastik®, Novibra®, Power-Lock™, SEALINE®, Sewer-Lock™, TRELLINE® and TRELLVAC.

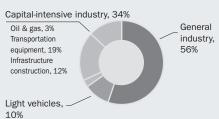
KEY CUSTOMERS: Companies active in general industry, infrastructure and construction, the transportation industry and offshore oil & gas.

PRINCIPAL COMPETITORS: Continental, Freudenberg, GMT, Hamilton Kent, Hultec, Hutchinson, IVG, Lord, M.O.L., Parker Hannifin, Semperit, Stomil Sanok, Tremco and Tyman.

Net sales per geographic market, %



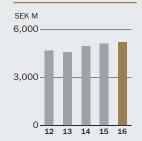
Net sales per segment, %



Employees per geographic market, %



Net sales



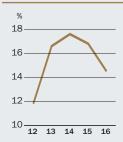
EBIT margin



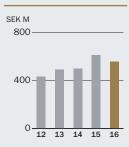
EBIT



ROCE



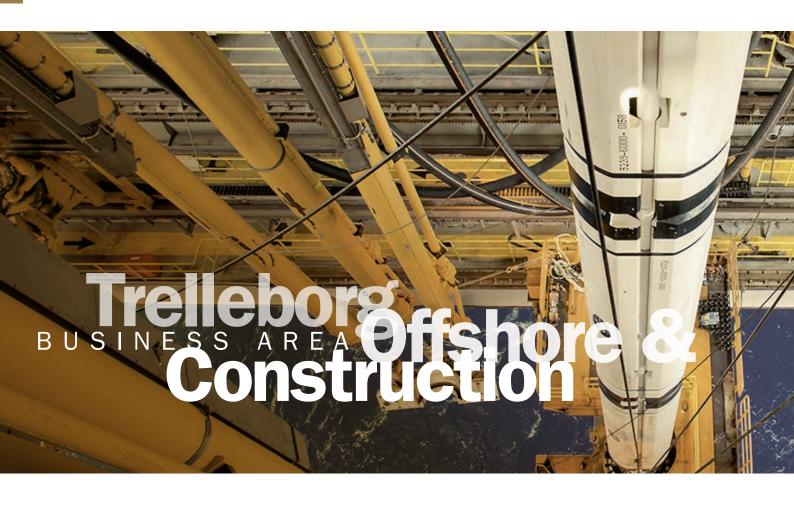
Operating cash flow



THE BUSINESS AREA'S LONG-TERM TARGET FOR EBIT MARGIN

>12%

Key figures, excluding items affecting comparability, sek м	2016	2015
Net sales	5,193	5,117
Share of consolidated net sales, %	19	21
EBIT	541	560
EBIT margin, %	10.4	10.9
Capital employed	4,351	3,188
Return on capital employed (ROCE), %	14.5	16.8
Capital expenditures	180	222
Operating cash flow	559	613
Cash conversion, %	103	109
Number of employees at year-end, including insourced staff and		
temporary employees	3,956	3,810



Trelleborg Offshore & Construction is a leading global project supplier of polymer-based critical solutions deployed in highly demanding offshore oil & gas and infrastructure construction environments.

We are managing the challenging market situation while also preparing ourselves for a recovery, through innovative solutions and by applying the right structure.

Fredrik Meuller, Business Area President

Sales and earnings

Organic sales for the full year declined by 23 percent compared with 2015, primarily resulting from the challenging market situation in oil & gas. The global market price for oil remained at a low level throughout the year, which yielded a markedly lower order book for project transactions.

EBIT and EBIT margin were lower compared with the preceding year, mainly as a result of fewer project deliveries in oil & gas but also due to lower sales in certain niches in infrastructure. Activities to adapt the organization to the lower market activity

took place throughout the year and continues in 2017. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 17 M on EBIT compared with 2015.

Selection of events in 2016

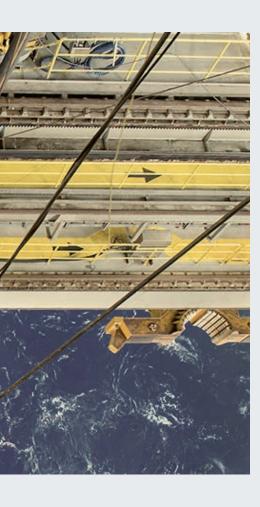
- » Awarded a number of prestigious projectbased supply contracts in both the offshore oil & gas and infrastructure construction segments.
- » Launched several new products, including an immersed tunnel gasket, a vibration suppression system (VIV) for offshore drill risers, a maintenance service for fenders on offshore platforms and an offshore wind-farm power-cable protection system.
- » Successfully integrated the operations acquired in 2015; a marine navigation and piloting systems operation and a manufacturer of marine fender systems respectively.

Current priorities

» Positioning for a market recovery via a more effective cost structure and capital base.

- » Leverage a leaner structure once oil & gas market demand rebounds.
- » Launch new innovative technology, including smart products, in order to offer more value to customers.
- » Exceed customers' expectations through world-class project management.

3 ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-13



MARKET SEGMENTS

Oil & gas: Polymer-based solutions for exploration and extraction of offshore oil and gas, from platform to seabed, with buoyancy modules, thermal insulation, bend restriction, cable and flowline protection, fire protection and other engineered solutions.

Infrastructure construction: Sealing and vibration-damping solutions for tunnels, bridges and other large construction and civil engineering projects including mines. Marine structures and smart technologies for berthing, docking and mooring in ports and offshore.

PRODUCTION UNITS: Australia, Brazil, China, Denmark, the Netherlands, Norway, Singapore, the U.K. and the U.S.

MARKET OFFICES: Australia, Brazil, China, Denmark, France, India, Indonesia, Japan, the Netherlands, Norway, Singapore, Sweden, South Africa, South Korea, Turkey, the United Arab Emirates, the U.K. and the U.S.

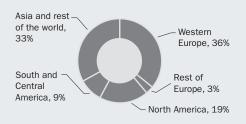
EXAMPLES OF BRANDS/PRODUCT NAMES:

ANDRE, AutoMoor, Elastopipe™, FireNut™, NjordGuard™, RiserGuard®, RedFine+, SCN Supercone, SeaGuard, SeaTechnik™, SmartDock®, SmartPort, Ultra M.I.S., Uraduct® and Vikotherm™.

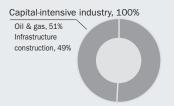
KEY CUSTOMERS: Companies active in offshore oil & gas and companies that construct and manage tunnels, bridges, buildings, mines, ports and shipyards, including construction companies and engineering consultancies.

PRINCIPAL COMPETITORS: AF Global, AIS, Balmoral, Bridgestone, Dätwyler, FenderCare, Hutchinson, Lankhorst, Mampaey, Matrix, ShibataFenderTeam, Sumitomo Riko, Tekmar and Yokohama.

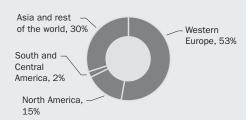
Net sales per geographic market, %



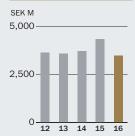
Net sales per segment, %



Employees per geographic market, %



Net sales



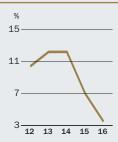
EBIT margin



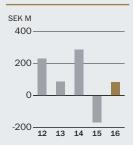
EBIT



ROCE

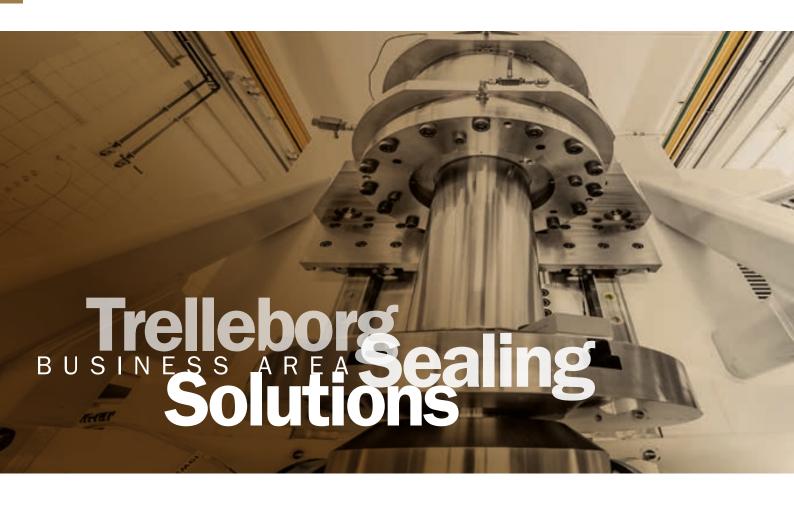


Operating cash flow



THE BUSINESS AREA'S **LONG-TERM TARGET FOR EBIT MARGIN** >10%

2016 Key figures, excluding items affecting comparability, seк м 2015 Net sales 3.467 4.331 Share of consolidated net sales, % 13 17 **EBIT** 108 199 EBIT margin, % 3.1 4.6 3,132 3,029 Capital employed Return on capital employed (ROCE), % 3.5 7.0 Capital expenditures 207 240 Operating cash flow 83 -166 Cash conversion, % 77 -84 Number of employees at year-end, including insourced staff and 1.949 2,104 temporary employees



Trelleborg Sealing Solutions is a leading global supplier of polymer-based critical sealing solutions deployed in demanding general industry, light vehicle and aerospace environments.



Sales and earnings

Organic sales for the full year rose 1 percent compared with 2015. Europe reported an unchanged organic trend, where a decline in general industry was offset by higher sales to the automotive and aerospace industries. North America reported negative organic sales resulting from a downturn in several sectors. Positive organic growth in Asia was predominantly driven by healthy sales to the automotive and aerospace industries, and by general industry to a lesser extent.

EBIT rose primarily as a result of acquisitions and effective cost control. However, earnings were charged with unfavorable exchange rate movements and integration of implemented acquisitions. The EBIT margin was maintained at a high level throughout the year. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 14 M on EBIT compared with 2015.

Selection of events in 2016

- » Launched several new sealing solutions, including an ingenuitive gasket that combines both sealing and damping properties.
- » Decided to build a new business area office in Stuttgart, Germany, which as of mid-2018 will house a significantly expanded Innovation Center, and decided on several manufacturing facilities upgrades in Bulgaria, China, Sweden, U.K. and U.S.
- » Acquired a manufacturer of high-precision silicon seals for the healthcare & medical market, a distributor of seals, gaskets and custom-molded products and a

- manufacturer of precision seals for the aerospace industry.
- » Launched Seals-Shop.com, an e-commerce platform focusing primarily on hydraulic seals for the Maintenance, Repair and Operations (MRO) market and smaller Original Equipment Manufacturing (OEM) customers in Europe.

Current priorities

- » Focus on product and service innovations.
- » Focus in selected growth areas.
- » Explore opportunities to offer solutions from new adjacent products, segments and technologies.
- » Enhance speed of the simplification program aimed at making it easy for customers to do business with Trelleborg.

Events after year-end

» Acquired a seal distributor in the chemical transportation sub-segment.

ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-13



MARKET SEGMENTS

General industry: Precision seals for a range of industrial applications with a focus on O-Rings, rotary seals and hydraulic seals.

Aerospace: Safety-critical aircraft seals used in such application areas as engines, flight control actuators, landing gear, wheels and brakes.

Light vehicles: Advanced and often safety-critical seals, mainly for fuel systems, steering, air conditioning and exhaust systems, as well as composite technology designed for damping and sealing.

Transportation equipment: Specially engineered sealing solutions in, for example, trains.

Agriculture: Sealing configurations for hydraulic equipment in, for example, tractors.

Oil & gas: Specialty seals in various oil and gas installations.

PRODUCTION UNITS: Brazil, Bulgaria, China, Denmark, France, India, Italy, Malta, Mexico, Poland, Switzerland, Sweden, the U.K. and the U.S.

MARKET OFFICES: Austria, Belgium, Brazil, Bulgaria, Canada, China, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Hong Kong, Hungary, India, Italy, Japan, Mexico, the Netherlands, Norway, Poland, Russia, Switzerland, Singapore, South Korea, Spain, Sweden, Taiwan, Turkey, the U.K. and the U.S.

EXAMPLES OF BRANDS/PRODUCT NAMES:

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

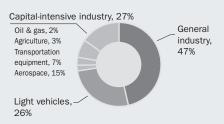
KEY CUSTOMERS: Global customers active primarily in general industry, including the healthcare & medical industry, and suppliers to aircraft and light vehicle manufacturers.

PRINCIPAL COMPETITORS: Federal Mogul, Fenner, Freudenberg, Greene Tweed, Hutchinson, Meggitt, NOK, Parker Hannifin, Saint Gobain, SKF, TA Kirkhill and Wolverine.

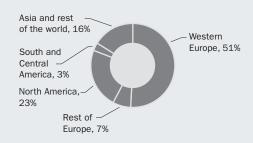
Net sales per geographic market, %



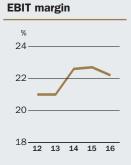
Net sales per segment, %

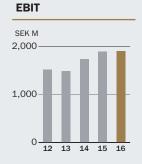


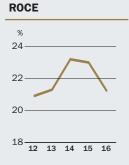
Employees per geographic market, %

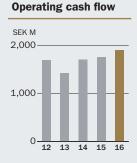


Net sales









THE BUSINESS AREA'S LONG-TERM TARGET FOR EBIT MARGIN >22%

Key figures, excluding items affecting comparability, seк м	2016	2015
Net sales	8,559	8,302
Share of consolidated net sales, %	32	34
EBIT	1,903	1,885
EBIT margin, %	22.2	22.7
Capital employed	10,249	7,945
Return on capital employed (ROCE), %	21.2	23.0
Capital expenditures	310	320
Operating cash flow	1,903	1,763
Cash conversion, %	100	94
Number of employees at year-end, including insourced staff and		
temporary employees	5,814	5,421



Trelleborg Wheel Systems is a leading global supplier of tires and complete wheels for agricultural and forestry machines, materials handling and construction vehicles and two-wheeled vehicles.

Our focus is entirely on the successful and value-creating integration of CGS's tire operation.

Maurizio Vischi, Business Area President

Sales and earnings

Organic sales for the full year increased by 1 percent compared with 2015. Structural growth contributed 47 percent in total, primarily attributable to CGS's tire operation. Organic agriculture-related sales rose slightly while the organic sales trend for tires for materials handling vehicles and construction vehicles was slightly negative.

EBIT rose sharply, due mainly to the implemented acquisitions. The EBIT margin increased as a result of effective cost control, successful positioning in the market and an improved sales mix.

Earnings were charged with integration costs related to implemented acquisitions and start-up costs for the U.S. agricultural tire production site.

Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 19~M on EBIT compared with 2015.

Selection of events in 2016

- » Officially inaugurated new facility for production of agricultural tires in the U.S.
- » Commenced the integration of CGS's tire operation.
- » Acquired a distributor of large solid off-the-road (OTR) tires for the waste, recycling and demolition industries.
- » Introduced Interfit, the industrial tire service concept, in several new markets, including the online tool I-Rent, which is a service that allows forklift truck dealers to accurately include the full cost of tires in a lease contract.

Current priorities

» Efficient realization of synergies from the integration of CGS's tire operation; optimize the production structure based on the combined setup, utilize the multi-brand offering and broadened product range, leverage position as global leader within industrial tires, leverage construction tire sales through investments in R&D and sales force.

Events after year-end

» Decided to make a major investment in the tire operation in Serbia, to improve the footprint and increase production capacity to accommodate additional future sales.

2 ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-13



MARKET SEGMENTS

Agriculture: Tires and complete wheels for tractors and other vehicles used in agriculture and forestry.

Transportation equipment: Tires and complete wheels for materials handling vehicles, including forklifts and other highly utilized and high-load materials handling vehicles, such as construction vehicles. High-performance tires for bicycles and motorbikes.

PRODUCTION UNITS: Brazil, the Czech Republic, China, Italy, Latvia, Serbia, Slovenia, Sri Lanka, Sweden and the U.S.

MARKET OFFICES: Austria, Australia, Belgium, Brazil, China, the Czech Republic, Denmark, Finland, France, Germany, Indonesia, Italy, Latvia, Malaysia, Mexico, the Netherlands, Poland, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, the United Arab Emirates, the U.K. and the U.S.

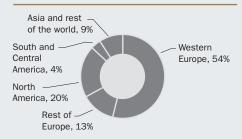
EXAMPLES OF BRANDS/PRODUCT NAMES:

Brawler, Cultor, Interfit, I-Rent, Maximo, Mitas, Trelleborg, Trelleborg Elite XP, Trelleborg M² and Pit Stop Line.

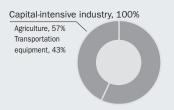
KEY CUSTOMERS: Manufacturers and distributors of agricultural and forestry machinery, and end-customers. Manufacturers and distributors of forklifts, distributors of tires and tire service companies for materials handling vehicles and construction vehicles. Suppliers of custom-made bicycles and motorbikes.

PRINCIPAL COMPETITORS: Advance Tyre, Aichi, Armour, BKT, Camso, Continental, Double Coin, Bridgestone, Goodyear/Titan, GRI Tires, Marangoni, Michelin, Nexen, Triangle and Yokohama.

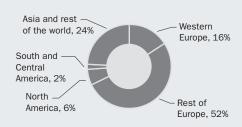
Net sales per geographic market, %



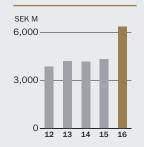
Net sales per segment, %



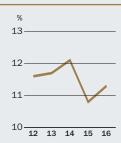
Employees per geographic market, %



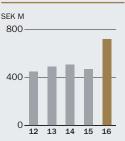
Net sales



EBIT margin



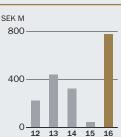
EBIT



ROCE



Operating cash flow



THE BUSINESS AREA'S LONG-TERM TARGET FOR EBIT MARGIN >15%

Key figures, excluding items affecting comparability, sek м	2016	2015
Net sales	6,354	4,315
Share of consolidated net sales, %	23	18
EBIT	720	468
EBIT margin, %	11.3	10.8
Capital employed	13,058	4,198
Return on capital employed (ROCE), %	7.6	11.7
Capital expenditures	302	425
Operating cash flow	780	48
Cash conversion, %	108	10
Number of employees at year-end, including insourced staff and		
temporary employees	7,365	3,295

PROGRESS TOWARD GREATER STABILITY

Trelleborg has undergone major changes during the year. The Group completed the acquisition of CGS Holding, the Group's largest acquisition in decades, and the divestment of its holding in the Vibracoustic joint venture.

Vibracoustic - a successful journey

In summer 2016, Trelleborg divested all of its shares in Vibracoustic to Freudenberg.

The TrelleborgVibracoustic joint venture was formed in July 2012 between Trelleborg's former business area Trelleborg Automotive and Freudenberg's corresponding operation in antivibration solutions, Vibra-coustic. The company was owned in equal shares by the partners and was renamed in April 2016 to Vibracoustic.

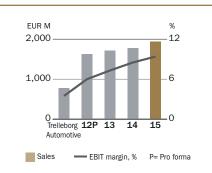
The sales price amounted to SEK 6.9 billion. Trelleborg received a payment of approximately SEK 6.2 billion on July 5, 2016. The remaining approximately SEK 0.7 billion of the sales price is conditional upon Vibracoustic's realized sales performance in 2016 and 2017. The final purchase price could therefore be slightly higher or lower than SEK 6.9 billion.

The transaction resulted in a capital gain of approximately SEK 4.1 billion.

As a result of the transaction, Trelleborg can conclude a successful journey for the former business area, which one year prior to the formation of Vibracoustic reported

sales of approximately SEK 7.1 billion with a margin of about 3.5 percent, compared with the joint venture's sales in 2015 of approximately SEK 18 billion, generating a margin of 9.5 percent.

Sales



Trelleborg Automotive's sales the year prior to the formation of the joint venture (2011) were approximately EUR 780 M with an EBIT margin of about 3.5 percent. Sales for the joint venture in 2015 amounted to approximately EUR 2 billion with an equivalent margin of about 9.5 percent.

Leading positions require major investments. The light vehicles industry is continuously undergoing structural changes, the pace of development is high as is competition. The formation of the Vibracoustic joint venture in 2012 enabled both Trelleborg and Freudenberg to create a global and competitive business. The company has delivered significant synergies, improved its geographical presence and strengthened its position, and can today offer the market's best geographic reach and broadest product portfolio in antivibration solutions for light and heavy vehicles.

For Trelleborg, the divestment means the Group can focus on independently developing leading positions within other selected segments.

HIGHER MARGINS AND MARKET EXPOSURE

Trelleborg's strategy is to secure leading positions in selected segments and the Group has had, and continues to have, a strong operational focus to improve and develop both existing and acquired operations, and to ensure continued efficiency and growth throughout Trelleborg.

In 2009, a major strategic review of the Group was initiated, especially the operations dedicated to the light vehicles segment. Since then, Trelleborg has divested about 10 businesses, acquired more than 30 companies and – together with other measures that support Trelleborg's strategy – substantially improved the EBIT margin.

The Trelleborg Group's sales in 2016 of just over SEK 27 billion are slightly higher than sales reported by Trelleborg in 2009, which included the then wholly owned business area Trelleborg Automotive. Most importantly, the Group now has a much higher

margin and market exposure and has sole control over all operations in the Group and full access to the cash flows generated by Trelleborg, which was not the case with the jointly-owned Vibracoustic.

Trelleborg views the breadth of its current operations as a strength as it offers stability in cyclical fluctuations. The portfolio optimization that taken place, and that continues today, is primarily within segments, in new geographic areas and in closely-related segments or technologies that broaden Trelleborg's customer offering and risk spread.

The financial crisis in 2008-2009 resulted in a dramatic decline in demand in most of the world's industries.

This forced Trelleborg to take a series of focused actions, such as clearly concentrating on the most valuable business, adjusting capacity and increasing the rate of implementation for the ongoing structural program. The automotive industry accounted for just over 30 percent of Group sales.



2009

CGS Holding: Rubena Savatechengineered polymer solutions

In 2016, Trelleborg finalized the acquisition of CGS Holding, an industrial group with leading positions in agricultural, industrial and specialty tires as well as engineered polymer solutions. The total purchase consideration amounted to approximately SEK 10.9 billion. CGS reported sales in 2015 of approximately SEK 5.6 billion with an EBIT margin of 16.5 percent.

CGS included the businesses Mitas, Rubena and Savatech. Mitas, which has strong mid-market specialty tires brands, with a particularly strong position within agricultural tires, has been integrated with the Trelleborg Wheel Systems business area (see pages 22-23).

Rubena and Savatech are leading suppliers of engineered polymer solutions to general industry and the automotive industry. The businesses will report together and independently from Trelleborg's business areas during a transition period, before being gradually integrated into the current business areas in 2017.

The current business areas in question include Trelleborg Coated Systems, which

will be stronger in printing blankets and engineered coated fabrics together with Savatech's operations, and Trelleborg Industrial Solutions, where Rubena's operations in antivibration, specialty molded products, sealing profiles and membranes complements its product offering and provides opportunities to reach new customers.

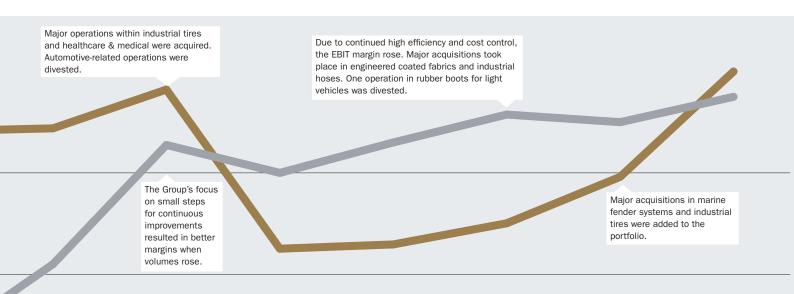
Key figures, excluding items affecting comparability, SEK M	2016
Net sales	1,063
Share of consolidated net sales, %	4
EBIT	112
EBIT margin, %	10.5
Capital employed	2,665
Return on capital employed (ROCE), %	7.1
Capital expenditures	38
Operating cash flow	133
Cash conversion, %	119
Number of employees at year-end, including insourced staff and temporary employees	2,494

RUBENA SAVATECH SALES AND EARNINGS JUNE-DECEMBER 2016

For the seven months Rubena and Savatech have been part of Trelleborg, the units demonstrated stable sales and satisfactory profitability, which were however impacted by a seasonally weaker final quarter.

Capacity utilization for several product lines remained at a high level. A number of investment projects aimed at increasing manufacturing capacity for selected niche products are ongoing and will gradually enable increased growth and profitability.

EBIT and EBIT margin were charged with costs associated with preparations aimed at integrating Rubena Savatech in the Trelleborg Industrial Solutions and Trelleborg Coated Systems business areas. This work is proceeding according to schedule ahead of a planned consolidation in 2017.



2010 2011 2012 2013 2014 2015 2016



THE MATERIAL WITH **MANY APPLICATIONS**

Polymers – rubber, composites and plastics as they are commonly known – are some of the toughest and most versatile materials available. But what are polymers precisely? The short and simple answer is that polymers are our most elastic materials, with unique properties that seal, damp and protect in a range of environments.

Polymers cannot be defined as a uniform concept. There are many different types of polymers that, with various additives, can have very different properties. The chemical additives and combinations with other materials, such as metals and textiles, determine the end product's properties. It could be an aircraft seal that can withstand extreme temperature variations. Or why not a hose that can withstand corrosive chemicals?

Polymers are long chains of molecules that serve as building blocks made from rubber and plastics. Rubber is formed from polymeric hydrocarbons. While there is only one chemical variant of natural rubber, synthetic rubber is available in some 20 variants.

Natural rubber is made from the rubber tree, Hevea Brasiliensis. Synthetic rubber is made using chemicals, most commonly petroleum (oil). Treated rubber is elastic, water repellent and malleable.

Trelleborg uses natural rubber in its large tires, springs and rubber bearings as well as its hoses, seals and coated fabrics. Synthetic rubber, such as styrene-butadiene rubber (SBR) and isoprene rubber, has properties that are similar to those of natural rubber. It is used as outer rubber in blasting hoses, oil and gasoline hoses, tires and more. Nitrile rubber (NBR) is often used with other types of rubber for added elasticity, abrasion resistance and ability to withstand low temperatures. Ethylene propylene rubber (EPM/ EPDM) is suitable for high temperatures and is used for sealing profiles, hoses and more.



Seal

To seal is to fill a gap when joining Examples of sealing solutions include dynamic hydraulic seals two static or moving (dynamic) such as O-Rings, for a wide range surfaces, thereby separating of applications in the aerospace different media from each other. and automotive industries.





Damp

To damp is to absorb energy, thereby reducing vibration and noise.



Examples of solutions that protect include tunnel seals that can withstand the pressure exerted by water and agricultural tires that protect the soil.



To protect is to help the environment, people, infrastructure and other assets to manage the impact from natural and man-made forces.





Examples of damping solutions include fenders for protecting harbors and vessels as well as antivibration rail track.







VALUE GENERATION AT TRELLEBORG



Today, the Trelleborg Group is a world leader in engineered polymer solutions, whose innovative solutions accelerate performance for customers in a sustainable way. This overview shows both the key factors and main risks underlying value creation.





BUSINESS CONCEPT

Business concept to seal, damp and protect. Trelleborg's business concept is to seal, damp and protect critical applications in demanding environments.



Strategy for leading positions. Trelleborg's strategy is to secure leading positions in selected segments. This means that Trelleborg seeks segments, niches and product categories that - by virtue of the Group's market insights, core capabilities and offering of advanced products and solutions - provide market leadership. In this manner, long-term shareholder value and added value are generated for customers.

Trelleborg works with the strategy, both Group-wide and in the business areas, supported by four strategic cornerstones that - individually and in combination - underpin the strategy. The strategic cornerstones are:

- » Geographic balance
 - » Portfolio optimization
 - » Structural improvements
 - » Excellence Read more on pages 30-33.

CORE CAPABILITIES

Value generation through core capabilities. Trelleborg's business is built on five core capabilities that enable the Group to deliver value, where polymer engineering and a local presence, combined with global reach, provide a solid foundation. The value-driving factors of applications expertise and customer integration act as a business accelerator for Trelleborg's customers. Trelleborg's five core capabilities are:

» Polymer engineering

Within Trelleborg's selected segments, the Group has pioneered applied polymer-engineering and materials technology for more than a century.

» Local presence, global reach

Wherever Trelleborg conducts business, its employees act as a local partner and leverage the Group's global strength and capabilities.

» Applications expertise

Trelleborg has leading-edge technology and in-depth understanding of the challenges customers must overcome to seal, damp and protect their critical applications.

» Customer integration

Trelleborg always makes it easy to do business with the Group, by integrating closely with markets and customers through multiple channels.

» Business accelerator

Trelleborg works as a proactive and long-term business partner, delivering solutions based on market foresight, contributing to better business for its customers.

RISKS



SUPPLIER-RELATED RISKS

Risks that are beyond the company's direct control upstream in the value chain but that could nevertheless have a clearly negative impact on people's trust in the company. Refer to page 54.

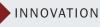
MAJOR RISKS

A number of risks identified as having a major potential impact on the entire Group and are therefore managed at Group level. Refer to pages 63-67.



FINANCIAL RISKS

Primarily financing and liquidity risks, interest rate and foreign exchange risks, and financial credit risks. Refer to Note 31, pages 114-116.



Better function, better business, better sustainability. The core of Trelleborg's product development is engineered polymer solutions that meet customer-specific requirements for functional properties. In various ways, the purpose of these is also to improve business factors – productivity, costs, sales and profitability – and the sustainability profile for customers.





OIL & GAS



TRANSPORTATION EQUIPMENT



AGRICULTURE



INFRASTRUCTURE CONSTRUCTION



• AEROSPACE



Name
 LIGHT VEHICLES

CORPORATE CULTURE

Trelleborg's internal culture. The
Trelleborg Group is characterized by
far-reaching delegation of responsibilities
and authorities. The Group gives its
employees extensive freedoms under
responsibility and encourages rapid,
proactive leadership. Trelleborg has
built up a culture over many years that
stimulates commitment, responsibility,
good ethics in business relationships, and
positive interaction with the community in
which the Group operates.

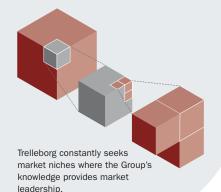
MARKET SEGMENTS

Trelleborg's balanced market. The seven chosen market segments are a mix of general industry, capital-intensive industry and light vehicles, which represent a favorable balance between early and late cyclical industry. The Group's exposure to various market segments has changed over time to balance the demand. Read more about the market segments on pages 38-44.



FUTURE GROWTH

Future growth investments. Several dimensions must be taken into consideration when prioritizing future growth investments. These may include segments, niches and product categories combined with geographies, regional and local presence, customers and applications that determine the investments, from the perspective of mature and growing markets.



CONFIDENCE RISKS

Risks associated with the market's confidence in the company as a reliable player and supplier.

Refer to page 63.

0

OTHER SUSTAINABILITY-RELATED RISKS

Sustainability-related risks – other than identified major risks – whose impact could have serious consequences for the company and its operations.

Refer to page 63.

STRATEGY SUPPORTED BY FOUR CORNERSTONES

Trelleborg's strategy of securing leading positions in selected segments is supported by four strategic cornerstones. These are the cornerstones that Trelleborg works with Group-wide and in the business areas to optimize its respective operations and, thereby, capture market leadership. The cornerstones support the strategy individually and in combination.

Toward a focused polymer Group.

Trelleborg's journey to becoming the world-leading Group that it is today started at the beginning of the 2000s.

In recent years, Trelleborg has worked

intensively to structure, integrate and develop its acquired operations and secure efficiency in all functions – from development, purchasing and production to marketing. The aim is to achieve favorable profitability by gradually strengthening and developing the Group.

Focus on revenue and growth. The development and success of the Group to date has motivated greater emphasis on multidimensional growth and innovation. This ranges from growth in geographies and segments, or through innovation, customer integration and differentiation.



This also includes the Group's professional development activities, where Trelleborg is investing more than ever in training through the Trelleborg Group University.

Enhanced geographic balance

Trelleborg bases its offering on local knowledge and global experience.

Geographic balance. In recent years, Trelleborg has prioritized strengthening its market presence in selected markets outside Western Europe and North America to further improve the geographic balance.

The principal drivers include proximity to customers in expanding and profitable segments, following them in their globalization processes and developing local customer relationships, which may become global.

Trelleborg's long-term ambition is to achieve a geographic balance, where Western Europe and the Rest of the World each account for an expected 40 percent of the Group's sales, while the remaining share is expected to continue being generated in North America.

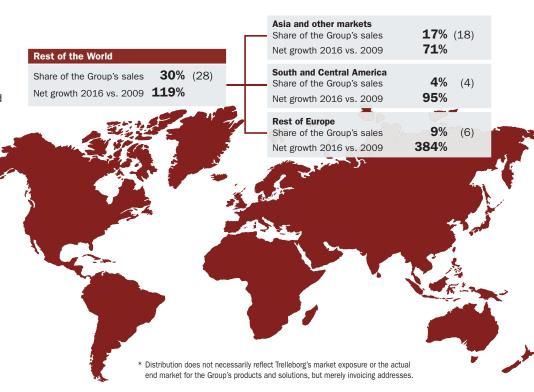
GEOGRAPHIC DISTRIBUTION OF THE TRELLEBORG GROUP'S NET SALES IN 2016 (2009)*

North America

Share of the Group's sales
Net growth 2016 vs. 2009

A6%

Western Europe	
Share of the Group's sales	47 % (48)
Net growth 2016 vs. 2009	26 %



30 ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-6, G4-8, G4-9

Continued portfolio optimization

Geographic balance Portfolio optimization

Structural improvements Excellence

Leading positions in selected segments are achieved through focused organic growth, supplemented by bolt-on acquisitions. Divestments also form part of the optimization of the portfolio.

Trelleborg is driven by the interaction between organic and acquired growth. The Group pursues focused daily activities involving a number of growth initiatives at different levels and in different areas. To establish operations at a faster pace or to strengthen the positions in selected segments, niches or product segments, Trelleborg also carries out bolt-on acquisitions.

The purpose of the acquisitions may be to strengthen positions in an existing market but also to reach new geographies or closely related segments or technologies.

Portfolio optimization via acquisitions.

Trelleborg invests in attractive niches where opportunities exist to achieve competitive advantages and a leading position. This is a central activity and Trelleborg focuses continuously on new acquisitions that can develop the Group.

One such example is CGS Holding, which was acquired in 2016 and whose operations in agricultural and specialty tires and engineered polymer solutions represent a significant and attractive bolt-on to Trelleborg's existing operations.

Acquisitions, 2016¹)	Sales (2015) SEK M	No. of employees
Loggers Rubbertechniek B.V. (engineering company specializing in antivibration marine systems), Trelleborg Industrial Solutions	110	30
CGS Holding a.s (manufacturer of agricultural, industrial and specialty tires and engineered polymer solutions)	5,600	6,300
Specialty Silicone Fabricators Inc. (SSF) (manufacturer of high-precision silicone components), Trelleborg Sealing Solutions	330	200
International Tyre and Wheel Solutions Ltd. (ITWS) (large solid tire distributor), Trelleborg Wheel Systems	40	5
Anderson Seal LLC (seal distributor), Trelleborg Sealing Solutions	145	20
Schwab Vibration Control (supplier of components and systems for industrial antivibration), Trelleborg Industrial Solutions	575	220
Subsidiary of CoorsTek, Inc. (precision seals for the aerospace industry), Trelleborg Sealing Solutions	115	90
Total	6,915	6,865

Divestments, 2016

Participation in the Vibracoustic joint venture

Portfolio optimization via divestments.

Trelleborg divests operations with products and solutions assessed as no longer having or being able to take leading positions in the way the Group desires. These are better developed by other owners.

A significant and strategic portfolio optimization occurred during the year when Trelleborg divested its shares in the Vibracoustic joint venture. Refer also to page 24.

PORTFOLIO OPTIMIZATION IN ANTIVIBRATION SOLUTIONS FOR RAIL VEHICLES, VESSELS AND INDUSTRIAL EQUIPMENT

Antivibration involves minimizing noise and protecting against vibrations and shocks in rails and rolling stock, vessels and industrial applications, such as engineering machinery. Trelleborg combines portfolio optimization of these vibration solutions with product innovation, geographic expansion, structural improvements and acquisitions.

In 2016, Trelleborg acquired a Dutch engineering company that offers specially developed antivibration solutions for marine applications. The business now functions as a Marine Antivibration Solutions Center, specializing in marine systems for Trelleborg's global operations.

Similarly, the Group's expertise in rolling stock has been gathered under a global Railway Antivibration Solution Center, which was formed as a result of the 2016 acquisition of a leading German-Swiss supplier of components and systems offering cutting-edge technology and world-class solutions.

These acquisitions were particularly significant given that Trelleborg has historically held a strong position in vibration solutions for industrial applications, primarily in Europe. However, since 2008 and 2012, the Group's operations have been expanded to include production capacity in China and

India – with solutions for cabs and engines of off-highway vehicles, for example, being produced in China.

At the same time, the operation has maintained a high pace of innovation where DragonCoat – Trelleborg's patented fire-retardant protective coating for rubber products – is among the solutions attracting the most attention.

Overall, thanks to the growing strength of its combined product range, the operation will be able to grow alongside its customers and in markets such as North America, China, Southeast Asia and India.



GRI: G4-8, G4-9, G4-13 ANNUAL REPORT 2016 TRELLEBORG AB

¹⁾ A list of Trelleborg's acquisitions and divestments since 1999 can be viewed at www.trelleborg.com.

Improved structure

Geographic balance Portfolio optimization

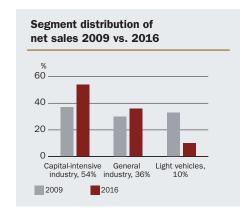
Structural improvements Excellence

Trelleborg's continuous and consistent work yields leading positions.

Right place for right business. The globalization of Trelleborg's business involves being in the right location with the right operations. The focus is on developing operations and localizing them to areas where Trelleborg can grow and recruit the right talent and where the job can be done optimally.

In certain cases, this means that Trelleborg moves an operation to another geographic market; in other cases, it means upgrading and developing the operation where it is.

For example, Trelleborg has made several investments and structural enhancements in the healthcare & medical segment in recent years, including increased production capacity in Bulgaria and Switzerland, the establishment of a new full-scale production site in the U.S. and, most recently, the acquisition of a manufacturer of high-precision silicone components for medical technology OEMs in 2016. The acquired company is a significant player in the important and high-growth U.S. healthcare & medical market, which gives Trelleborg a strong platform for future development.



Enhanced market exposure. Trelleborg endeavors to maintain an exposure toward market segments with a favorable balance between early and late cyclical industry, meaning general as well as capital-intensive industry, the demand from which often balances each other out. The Group's exposure to various market segments has thus changed over time. Compared with 2009, when light vehicles accounted for a significant share of Trelleborg's sales, the Group has now achieved a better balance in relation to its market exposure. Today, light

vehicles account for a minor share of the Trelleborg Group's sales and are also concentrated to profitable global niches that correspond well with Trelleborg's strategy.

Leading in attractive segments.

Trelleborg invests in attractive market segments and ensures optimal market presence as well as an effective and competitive business structure. Trelleborg also invests in new technology and machinery, human capital, international management, local managers and development of local markets, all with the aim of improving and honing its structure.

Trelleborg also seeks market niches that – by virtue of the Group's market insight, applications expertise and range of advanced products and solutions – provide market leadership.

TRELLEBORG'S GLOBAL PRESENCE

Trelleborg has 23,245 employees and operations in about 50 countries. Of the total number of employees, 95 percent work outside Sweden.

The number of employees in the Group at year-end, including insourced and temporary employees, was 23,245 (16,450), an increase of about 41 percent, mainly due to the acquisition of CGS.

In 2016, the average number of employees in the Group's operations increased to 19,423 (15,713), of whom women accounted for 24 percent (24). Refer to Note 11, page 97.

Salaries and other benefits for the average number of employees (excluding insourced employees) in the Group's operations amounted to SEK 6,528 M (5,985).

Personnel turnover (not taking terminations and retirements into consideration) varies between countries and facilities, and usually reflects the local labor situation.

NUMBER OF EMPLOYEES AT YEAR END*

Distributions by country	2016	2015	Change, number
Czech Republic	4,810	203	4,607
U.S.	2,845	2,413	432
China	1,613	1,614	1
U.K.	1,611	1,700	-89
Italy	1,277	1,245	32
Sweden	1,192	1,213	-21
Germany	991	731	260
France	966	1,060	-94
Sri Lanka	918	922	-4
Slovenia	912	-	912
Other	6,110	5,349	761
Total	23,245	16,450	6,795

*) Including insourced and temporary employees.

ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-8, G4-10

Geographic balance Portfolio optimization Structural improvements Excellence

Excellence in core processes

Trelleborg's core processes are continuously developed and improved to become simpler and more cost-efficient and to increase value generation for customers.

Excellence. Trelleborg works proactively and systematically to further optimize the core processes: production, purchasing, capital management and sales. The objective is Excellence: to eliminate all types of waste, and to instead use these resources to continuously improve operation and profitability.

The long-term aim of the Excellence programs is to boost value generation for Trelleborg's customers through systematic work with tools, training, exchange of experience and other improvement activities at all operations.

Manufacturing Excellence. The purpose of this program is to work systematically to ensure world-class manufacturing, thereby increasing cost efficiency and competitiveness.

The program focuses on the four objectives – Safety, Quality, Delivery Precision and Efficiency – and applies the following vision: Zero accidents, Zero defects, Zero delays and Zero waste. Each site has an action program linked to the objectives with monthly follow-up.

The work environment and resource efficiency are integrated parts of Manufac-

turing Excellence. Safety@Work is the Group's internal program for reducing the number of industrial accidents, while the Energy Excellence initiative focuses on identifying opportunities to reduce energy consumption at the production sites.

Purchasing Excellence. Trelleborg works systematically to ensure increased competitiveness in all aspects of its purchasing function. All purchasing is to follow the same process – regardless of who implements a purchase – with a uniform set of objectives and deadlines for all potential suppliers.



Working Capital Excellence. The purpose of this program is to reduce the need for working capital by improving the operating capabilities, which is a prerequisite for effective cash flow. The program provides training and tools to support inventory optimization and efforts to reduce other working capital.

Sales Excellence. The program aims to contribute to increased sales and growth via an improved sales process and standardized sales tools. The program also focuses on strategic marketing and positioning, digital market communication and pricing.

TRELLEBORG EXCELLENCE

We endeavor to be better in all that we do. We constantly raise the bar and hone our most important core processes.

The *Raise the Bar* campaign was launched back in 2015 with the aim of involving all employees in the Excellence work, and this initiative is ongoing.

IT DOESN'T HAVE TO BE DIFFICULT

In the city of Leicester in the U.K., the molds used in the production of antivibration solutions are cleaned using large baths of hot water mixed with caustic acid.

Within the framework of the Energy Excellence program – and drawing on experience from similar production sites in China and India – a set of ping pong balls was purchased for EUR 400 and installed at the site.

The balls act as a flexible barrier that prevents evaporation and heat loss – keeping both heat and water in the bath while allowing the molds to easily pass through for cleaning.

The saving achieved was higher than the intended 50-percent reduction in electricity consumption – approximately EUR 32 per day, or more than EUR 8,000 per year. Installing the balls also saved 500 liters of water per day, which was previously needed to refill the baths due to evaporation, corresponding to an annual saving of approximately 120,000 liters.



BLUE DIMENSION™ - SOLUTIONS FOR BETTER SUSTAINABILITY

Trelleborg's products and solutions have properties and effects that contribute to a more sustainable society. This is the thought behind Trelleborg's Blue DimensionTM initiative, whose name comes from the color blue that has come to signify sustainable innovation in a growing number of markets.

In brief, the Blue Dimension™ properties of Trelleborg's products and solutions are designed to promote development that contributes to greater sustainability for customers and for society as a whole. These solutions protect the environment, people, infrastructure and assets. They save energy, cut emissions and protect the soil. They contribute to good health and reduce noise and vibrations, creating a quieter and more comfortable work environment. They extend the service life of infrastructure projects, such as tunnels and skyscrapers.

This creates a triangle *Trelleborg* – Customers – Society where all parties reap



MORE THAN FUNCTIONALITY AND BUSINESS RESULTS

In addition to being functional and driving business, whenever possible Trelleborg's products and solutions should also contribute to better sustainability.

Trelleborg's solutions protect the environment, people, infrastructure and assets.

They reduce environmental impact by saving energy, cutting emissions and protecting the soil. They make people's lives quieter and more comfortable. They make projects such as tunnels and skyscrapers last for generations to come. This is what Trelleborg calls Blue Dimension™ − Solutions for better sustainability.

UN sustainable development goals. These solutions have a clear connection with the global challenges and megatrends facing society. The UN sustainable development goals (SDG) introduced in 2015 encompass 17 areas that are of key significance to the world. In a number of these areas, Trelleborg has the capacity – through its innovative engineered solutions – to make an important contribution to social development:

» Goal 2: Zero hunger Sustainable agriculture. Sustainable systems for food production.

































- » Goal 3: Good health and well-being Noise reduction. Components in medical equipment. Administration of medicine and vaccines.
- » Goal 6: Clean water and sanitation Safeguarding and protecting water resources
- » Goal 7: Affordable and clean energy Safe extraction and transport of energy. Components for wind and solar power solutions.
- » Goal 9: Sustainable industry, innovation and infrastructure Reliable, sustainable, resilient and high-quality infrastructure. Sustainable industrialization.
- " Goal 11: Sustainable cities and communities Protection against waterrelated catastrophes. Protect and safeguard the world's cultural and natural heritage. Safe, reliable and sustainable transportation systems.
- » Goal 13: Climate action Build resilience against climate hazards and catastrophes.

Refer to pages 37-44 for examples of how Trelleborg's solutions in various segments also address the UN sustainable development goals.

34 ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-15, G4-56

the benefits of solutions that contribute to better sustainability.

Some typical sustainability-related properties of various Trelleborg products are described below.

Trelleborg's Blue Dimension™ initiative is also connected to the UN sustainable development goals, which were launched in 2015, particularly in the areas of energy efficiency, sustainable agriculture, sustainable cities and flood protection. Refer to pages 34 and 37-44.

In practice, the initiative and concept mean that the company's business progress is connected to the progress of society since the transition to a sustainable society creates a wealth of business opportunities for an innovative world leader in engineered polymer solutions.

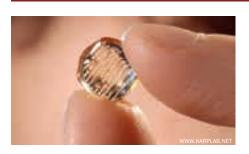
Sustainability-related products from Trelleborg

EXAMPLES THAT PROTECT THE ENVIRONMENT



- » Energy-efficient solutions, such as seals, tires, transportation/automotive components and window/door profiles.
- » Agricultural tires designed to protect the soil and save fuel.

EXAMPLES THAT PROTECT PEOPLE



- » Antivibration solutions that reduce noise and vibrations and provide extra comfort for passengers using various modes of transportation as well as machine operators in industrial production operations.
- » Healthcare & medical products with a direct function or effect on people's health – this image shows microneedle patches used for administering medicine and vaccines.

EXAMPLES THAT PROTECT INFRASTRUCTURE AND ASSETS



- » Solutions that offer increased safety and extend the service life of bridges, tunnels, buildings, pipe/waste systems and other infrastructure for sustainable cities.
- » Industrial antivibration solutions that offer increased safety and extend the service life of aircraft, trains, vehicles, machinery and other valuable assets.

BLUE DIMENSION™ - COMMUNICATION MATERIALS

Trelleborg's communication activities regarding the Blue Dimension $^{\text{TM}}$ initiative range from social media and websites to advertisements and brochures.



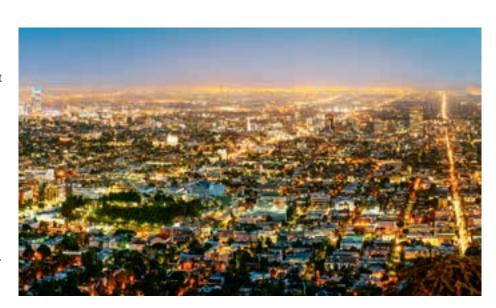
GRI: G4-56 ANNUAL REPORT 2016 TRELLEBORG AB

DRIVERS FOR MARKET PRESENCE

The long-term global trends are challenging, but at the same time they create business opportunities.

New business opportunities. By analyzing our business environment and trends, and maintaining a close dialog with customers, Trelleborg can leverage the drivers that exist in the medium to long term. There is also good potential to identify new business opportunities that could generate long-term and sustainable growth.

Global megatrends. Trelleborg evaluates aspects and relevant outcomes of global megatrends, such as the changed dynamic of the global economy, the interdependence between countries and markets, the increasing scarcity of natural resources and demographic changes. These and other factors influence how Trelleborg positions itself in the market.



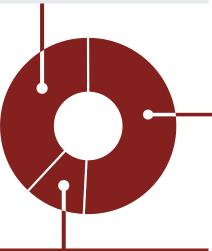
TRENDS IN TRELLEBORG'S MARKET SEGMENTS

GENERAL INDUSTRY, 36%*



General industry

High-growth geographic markets demand an increasing number of products and more advanced solutions to satisfy their industrial expansion and development.



LIGHT VEHICLES, 10%*

Glob

Globalization and consolidation at the customer level benefits calls for increased geographic presence by sub-suppliers which, in combination with more rigorous environmental stipulations, drives the development of alternative fuels and lighter/cheaper materials.

Light vehicles

CAPITAL-INTENSIVE INDUSTRY, 54%*



Oil & gas, 7%

Greater energy needs lead to major investments in new, more complex exploration projects in deep-sea environments as well as more stringent maintenance, which requires more advanced solutions and investments in both LNG transportation and alternative energy production, such as offshore wind power.



Transportation equipment, 17%

Increasing flows of people and goods require more efficient transportation by rail, air, bus and truck as well as improved inventory management and transportation equipment combined with ever stricter environmental requirements.



Agriculture, 16%

Large-scale farming requires increased investments in large tractors and tires, in parallel with higher demand that is catalyzed by a rapid mechanization of agriculture in high-growth countries. The trend toward biofuels and more sustainable agriculture is driving demand for more advanced products and solutions.



Infrastructure construction, 8%

Under-investment, a strong urbanization trend and the economic development of high-growth countries are driving requirements for new and improved infrastructure for such transport systems as road, rail and air travel as well as ports, tunnels, etc.



Aerospace, 6%

The upgrade of – and purchase of new – civil and commercial aircraft fleets due to increased traffic, particularly in high-growth countries, as well as more fuel-efficient technology and more stringent environmental requirements are leading to lighter aircraft with a greater technological content.

GRI: G4-8

GRI: G4-8

Net sales per market segment based on the 2016 annual accounts, including a pro forma calculation for acquisitions carried out in 2016.

MARKET SEGMENTS IN WHICH TRELLEBORG OPERATES

Business area/ market segment	General industry	Oil & gas	Transportation equipment	Agriculture	Infrastructure construction	Aerospace	Capital-intensive industry	Light vehicles
Trelleborg Coated Systems	80%		2%			16%	18%	2%
Trelleborg Industrial Solutions	56%	3%	19%		12%		34%	10%
Trelleborg Offshore & Construction		51%			49%		100%	
Trelleborg Sealing Solutions	47%	2%	7%	3%		15%	27%	26%
Trelleborg Wheel Systems			43%	57%			100%	
Rubena Savatech	89%		4%				4%	7%
Total Group	36%	7%	17%	16%	8%	6%	54%	10%

Net sales per market segment and business area based on the 2016 annual accounts, including a pro forma calculation for acquisitions carried out in 2016.

Leading positions. Trelleborg has chosen to concentrate on high-growth segments, where the Group has the best conditions for achieving favorable profitability. In these segments, Trelleborg is continuously striving for leading positions in global, regional and local markets. The strategy is to be among the three top players in terms of market share.

The basis for Trelleborg's positioning is partly innovative and high-tech products that provide value-added solutions for customers, but also Trelleborg's level of service and customer knowledge that provides a sense of security in the choice of supplier. The Group works actively on being ahead of customers in terms of knowledge of the business potential of

technical advances and to understand how the customer can better satisfy its end-customers and make more sales.

Critical functions. Trelleborg's products are of high quality and often have a critical function in the customer's solution, while representing a minor portion of the total manufacturing cost. The tendency to replace them with a product of inferior quality is thus minimal.

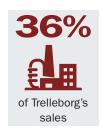
For example, although seals for an excavator can be purchased at a lower cost, the risk of a costly failure due to poorer quality is not worth the effort, since the seals represent such a small proportion of the total cost. Another example is sealing profiles for skyscrapers, a segment where

Trelleborg holds a world-leading position.

Sealing systems account for only a small fraction of the total cost of a building, but this small fraction is important when it comes to ensuring well-sealed facades and thus avoiding costly future repairs. The facade often accounts for nearly 20 percent of the total cost of building a skyscraper while the seals account for only 2-5 percent of the facade cost. Therefore, it is worthwhile for Trelleborg's customers to devote considerable care to the quality and design of the seals they select.

Read more about Trelleborg's drivers in various market segments on pages 38-44.

GENERAL INDUSTRY – COOPERATION WITH CUSTOMERS IS KEY



Industry is affected as global growth becomes ever-more concentrated to certain markets and customers. The capacity as a global partner to satisfy local needs through customized comprehensive solutions is becoming increasingly important in the pursuit of long-term value creation.

General industry. For Trelleborg, the *General industry* segment encompasses products and solutions for companies active in industries such as manufacturing, machine tools, processing equipment, healthcare & medical and graphic production.

The segment is characterized by geographic high-growth markets and certain major customers demanding a broader product portfolio and more advanced solutions to satisfy their industrial expansion and development, while more mature markets require even more advanced solutions and services.

A common feature of Trelleborg's products and solutions in the general industry segment is that they are customized and often form part of a comprehensive offering. They also represent a non-critical share of the cost of the end-product's total value.

Examples of products and applications				
Antivibration systems	Systems developed to minimize noise and damp vibrations in generator sets, fans and separators, for instance.			
Engineered coated fabrics	Specialty polymer-coated and calendared materials for custom-solutions for the majority of industrial applications.			
Expansion joints	Solutions that absorb pressure surges, movements and vibrations in pipe systems, such as those found in the food, cooling, heating and processing industries.			
Hoses	Specialist hoses for various industrial applications in, for example, the manufacturing and processing industries.			
Printing blankets	Printing blankets for advanced offset and digital printing applications, representing printing quality, ink transfer and dot control.			
Seals and bearings	Seals – such as O-Rings, rotary seals, hydraulic seals and various specialty seals – in many fields of application and niches for both static and dynamic applications.			
Sealing profiles	Custom-designed sealing solutions for a wide range of environments and applications, for example, facade seals with high wind and rain resistance and high energy-saving potential.			
Medical technology	Seals and bearings in medical device applications and medical fabrics in, for example, mattresses.			



Trelleborg's contribution to UN Goal 3: Good health and well-being Components in medical equipment. Administration of medicine and vaccines.

MEDICAL NEEDLES



Medical patches have been around for a long time. Nicotine patches are probably the most familiar example. But for larger-molecule substances, such as insulin, this type of patch did not work initially.

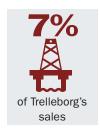
Researchers have been looking at the use of tiny microneedle patches as an alternative for drug and vaccine delivery. The patches, about the size of a fingernail, contain rows of microneedles. When the patches are applied to the skin, the microneedles penetrate the skin's top layer, enough to administer the medication in the patch into a person's system.

Trelleborg has decades of experience using Liquid Silicone Rubber (LSR) technology to create sealing solutions for the healthcare and medical industry. Now it is migrating that LSR know-how to microneedle patches to deliver drugs and vaccines.

Trelleborg is working with device developers and manufacturers to supply highly engineered components for drug delivery systems that include microneedle patches. Using LSR in microneedle patches provides significant advantages in terms of biocompatibility. It's an inert material, so it can be applied without the risk of harmful substances leaching into the body or causing skin irritation.

ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-8, G4-15

OIL & GAS – COMPLEX REQUIREMENTS IN DEMANDING ENVIRONMENTS



Oil and gas exploration is taking place at ever greater depths and in more remote locations, thereby increasing the complexity of the extraction process. This has, for example, accelerated the development of technologies for efficient and safe transfer and transportation of Liquid Natural Gas (LNG).

Oil & gas. For Trelleborg, the *Oil & gas* segment includes products and solutions for companies active in exploration, extraction, production and transportation of oil and gas, as well as solutions and applications for renewable energy and power generation.

A consequence of demand for energy rising across the world is that energy producers need to explore areas that are increasingly difficult to access, thus broadening complexity.

In this segment, Trelleborg focuses on solutions that increase the safety and efficiency of exploitation and extraction processes, whether surface installations or installations on the ocean floor or on land. Trelleborg's solutions also entail a reduction in the need for maintenance, since downtime is minimized. This also maximizes the operator's return.

Examples of products	and applications
Syntactic foam buoyancy	Buoyancy and insulation properties in applications such as drill risers, Remotely Operated Vehicles (ROV) and subsea distributed buoyancy modules.
Seals	Seals that provide resistance to aggressive media and high pressures in various offshore installations.
Thermal insulation	Polymer-based insulation for extended service life and higher efficiency in equipment used in deep-sea environments.
Fire protection/ Elastopipe	Rubber-based protection, suppression and containment systems for use in the event of a jet fire.
Systems for docking and mooring	Electronically controlled systems that facilitate safe vessel mooring and Floating Production, Storage and Offloading (FPSO) unloading.
Marine hoses	Reinforced hoses in large dimensions for offshore oil offloading and hoses for LNG offloading.
Floatover technology	Elastomer elements that form part of the spring systems in LMUs (Leg Mating Units) for installation of topside structures on substructures at sea in a floatover process, which replaces conventional lifting technology.
Antivibration systems	Damping systems for equipment that minimize vibrations and movements on offshore installations.

Trelleborg's contribution to
UN Goal 13: Climate action
Build resilience against
climate hazards and
catastrophes.



INNOVATIVE CABLE SOLUTION FOR WIND FARMS

Trelleborg has long delivered effective cable and flowline protection solutions for the oil and gas industry. Used to protect the lines that transfer oil and gas from rigs back to the mainland, they play a crucial role in protecting the natural environment from potential spills.

Now, with the world looking increasingly for alternative forms of energy, Trelleborg has devised an equally reliable solution for wind farms. NjordGuard is a cable protection system for the renewables market, used to protect the cables carrying the electrical power generated by wind farms from the converter platform back to shore.

Adapting the cable protection system for use by wind farms involved rethinking a number of design features. After some analysis it was decided that the cables don't have to be so large and that the wall thickness of the polymer used could be reduced. Another modification was ensuring that the cable protection could manage the increased amount of heat generated by power cables. With the design challenges successfully overcome, NjordGuard is now ready for rollout on offshore wind projects. Renewable energy has great potential and could help establish a different culture and different manufacturing methods.



GRI: G4-8, G4-15

ANNUAL REPORT 2016 TRELLEBORG AB 3

TRANSPORT – INCREASING FLOWS OF PEOPLE AND GOODS



At the same time as borders and restrictions in global trade are changing, a trend toward greater urbanization and increased travel is emerging. Satisfying all of these transport needs – while also distinctly reducing the environmental impact – requires new efficient technology and more advanced transport solutions.

Transportation equipment. For Trelleborg, the *Transportation equipment* segment mainly comprises products and solutions for manufacturers of ships, trains, buses, trucks, forklifts and other materials handling vehicles.

This segment is characterized by the economic development taking place in a number of countries, in which both manufacturing and transportation volumes will eventually increase. Demand for materials handling equipment and vehicles is growing, while investments are being made in mass transportation solutions to reduce the impact of transportation on the environment.

Trelleborg's polymer-based solutions and applications expertise increase safety, improve driver comfort and contribute to more economical operation, which combined, lead to lower costs for vehicle users and manufacturers of materials handling equipment.

Antivibration systems	Systems developed to minimize noise and damp vibrations in ships as well as rails and rolling stock.
Specialty tires	Solid tires for high loads and long service life in demanding environments, such as those used on cranes and trailers. Tires for earthmovers and off-highway vehicles as well as high-performance tires for bicycles and motorcycles.
Industrial tires	Specialty tires that offer long service life and high fuel efficiency for materials handling vehicles, such as forklift trucks.
Fire protection	Fire-retardant natural rubber coating for suspension components that delays the spread of fires in trains and underground trains.
Seals and bearings	Engineered solutions that operate at high pressures and within rotating applications at speed, such as those found in trains or construction equipment.
Engineered coated fabrics	Polymer-coated fabrics used in rubber flooring, for example, and in bellows on trains comprising multiple carriages.



Trelleborg's contribution to UN Goal 9: Sustainable industry, innovation and infrastructure Reliable, sustainable, resilient and high-quality infrastructure. Sustainable industrialization.



FULL SERVICE

Via its Interfit concept, Trelleborg provides outstanding aftersales tire services on behalf of forklift suppliers across the globe, ensuring customers prompt and efficient tire replacement. Interfit does everything from answering customer-service calls from forklift owners and engineers to providing cost estimates and sending out service technicians to supply new forklift tires.

Many of the customers are OEM equipment dealers who sell and lease forklifts and operate aftermarket parts programs. The other part of the customer base is large end users that have significant fleets of their own that they manage.

Interfit is now central to an innovative new business concept known as I-Rent. Historically, only a small percentage of lease contracts have made a provision for tires. Web-based I-Rent is a service that allows forklift truck dealers to accurately include the full cost of tires in a lease contract and allows forklift dealers to offer their users a single source for parts and maintenance.

ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-8, G4-15

AGRICULTURE – EFFICIENT SOLUTIONS SAFEGUARD FOOD RESOURCES



A rising population demands more efficient agriculture. This requires industrialization of agriculture and, in certain areas, a much faster transition to mechanical solutions. Combined with an increase in alternative energy forms such as biofuel, these represent key drivers for sustainable development.

Agriculture. For Trelleborg, the *Agriculture* segment mainly comprises products and solutions for manufacturers and dealers of agricultural and forestry machinery, tire and machinery distribution companies, and end customers.

The segment is characterized by ever larger and ever more efficient agriculture, implying increased investments in bigger tractors and tires, which is catalyzed by a rapid mechanization trend. A growing demand for biofuels and more sustainable agriculture is also driving demand for increasingly sophisticated products and solutions.

Trelleborg's research and development is focused on maximizing the agricultural yield and increasing mechanical efficiency. Tires, wheel systems and sealing solutions are therefore adapted to new agricultural requirements, such as increased on-road tractor driving, longer maintenance intervals and growing demands for biofuels.

Examples of products and applications				
Antivibration systems	Systems designed to minimize noise, damp vibrations and improve operator comfort in, for example, tractors.			
Hoses	Specialist hoses for spraying and irrigation, for example.			
Seals and bearings	Sealing configurations for hydraulic equipment used on tractors and construction machinery.			
Wheels, tires and rims	Premium tires for tractors and other agricultural and forestry machinery that protect crops and reduce environmental impact by minimizing soil compression.			
Specialty tires	Tires for trailers and light vehicles, for example.			

Trelleborg's contribution to UN Goal 2: Zero hunger Sustainable agriculture. Sustainable systems for food production.



AT A DAIRY FARM

Since the mid-1980s, world milk production has increased by more than 50 percent. Today, there are some 150 million dairy farms around the globe and these are becoming more professional and focused on large-scale production. The agricultural environment is often demanding, calling for reliable solutions with a long service life. Trelleborg offers several products and solutions for dairy farmers.

Milk liners are used during the milking process and Trelleborg's hoses are used at the dairy farm and for milk handling and collection as well as at processing and filling plants. A hygienic design of clamps and O-Ring connections is imperative, especially when handling food and beverages.

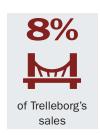
Tires with reduced pressure minimize soil compaction so that the grass consumed by cows continues to grow lushly to achieve the best milk yields possible. Trelleborg's Progressive Traction tire provides an opportunity to be more efficient in terms of fuel consumption and traction through a technical solution that introduces a double-edged lug design to the tire to better distribute the forces onto the front surface. Even in very humid and muddy terrain, the footprint depth can be reduced.



GRI: G4-8, G4-15

ANNUAL REPORT 2016 TRELLEBORG AB

INFRASTRUCTURE CONSTRUCTION – URBAN GROWTH REQUIRES INVESTMENTS



Better infrastructure is required to nurture economic development in high-growth countries. Lack of basic structure and maintenance backlogs are driving necessary investments in more modern solutions for the urban environment as well as the connecting infrastructure that links high-growth regions with each other.

Infrastructure construction. For Trelleborg, the Infrastructure construction segment encompasses products and solutions for companies that construct and manage infrastructure, such as tunnels, bridges, large buildings, water and wastewater systems, ports and other marine equipment, as well as products and solutions for construction and mining equipment.

This includes buildings as well as infrastructure for communication, transportation and water supply/sewage, where complex and innovative solutions are required to optimize land use in densely populated cities, together with an increasingly clearer environmental focus.

Whether the structures are above or below ground, Trelleborg's experience of global infrastructure and civil engineering projects provides support for customers when they are specifying requirements for products that often have to last a lifetime or longer. Customers choose Trelleborg for two important reasons: the proven products and comprehensive solutions the Group provides.

Bearings	Laminated bearings that damp vibrations in, for example, bridges and buildings.
Dredging hoses	Hoses in large dimensions for dredging in ports and delta areas.
Expansion joints	Components that absorb movement between, for example, the decking and abutments on viaducts and bridges.
Fenders and mooring	Fender and monitoring systems for safe mooring in ports, which protects ships and structures.
Hydraulic seals	Sealing configurations for hydraulic equipment in construction vehicles, for example.
Pipe seals	Polymer-based sealing solutions for water, drainage and wastewater pipelines.
Tunnel seals	Large sealing systems that secure sections of tunnels, making them structurally sound and watertight.
Marine technology	Aid systems for docking and mooring, such as various types of hook and winch systems for LNG terminals.
Specialty tires	Solid tires for high loads and long service life in demanding environments, such as construction and mining operations.



Trelleborg's contribution to UN Goal 11: Sustainable cities and communities

Protection against water-related catastrophes. Protect and safeguard the world's cultural and natural heritage. Safe, reliable and sustainable transportation systems.



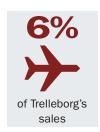
WATERTIGHT SOLUTIONS PROTECT CITIES AND CULTURAL SITES

Watertight infrastructure plays an important role in protecting cities and cultural sites from flooding in every corner of the world, from Los Angeles to Venice and St. Petersburg. In all of these cases, seals from Trelleborg have played a key role when it comes to using specially designed engineering solutions to prevent water damage to fundamental road infrastructure (in the case of Los Angeles) and priceless historical structures (in the case of Venice and St. Petersburg).

As part of a massive project in Venice, the city constructed a flood protection system to protect the city, the Venetian Lagoon and nearby cities, comprising 78 mobile gates that can be raised during high tide to create temporary flood barriers in three critical locations – the inlets at Lido, Malamoggio and Chioggia. When the gates are not in use, they rest on the bed of the lagoon in special concrete foundations. Gina and Omega seals in natural rubber from Trelleborg have been used in and between the mobile gates.

ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-8, G4-15

AEROSPACE – GREENER FLEETS A KEY CONCERN



Increased travel is symptomatic of a more globalized world. With high-growth countries as the catalyst, increased investment in new, lighter aircraft fleets is forecast. In parallel, energy-saving advanced technology enables more efficient air travel, which in turn means that remote destinations are becoming more accessible.

Aerospace. For Trelleborg, the *Aerospace* segment mainly encompasses products and solutions for manufacturers of civilian and commercial aircraft, and other aerospace applications.

The segment is distinguished by the restructuring of aircraft fleets due to changes in air travel patterns and, not least, the need to reduce fuel consumption, leading to increasing demand for newgeneration aircraft that are also lighter.

Trelleborg is using its applications expertise to accelerate innovations that ensure flight safety, improve passenger comfort and reduce operator costs.

Trelleborg focuses on extending component life to maximize maintenance intervals by supplying reliable and unique solutions to meet the more demanding requirements of next-generation aircraft and a growing environmental awareness.

Examples of products and applications				
Engine seals	Seals that can withstand the high temperatures of aircraft engines, including specialty fire seals.			
Engineered coated fabrics	Polymer-coated fabrics for evacuation slides, aerostats and inflatable life rafts.			
Airframe seals	Seals for the various components of the airframe, such as the doors, which have high technical and aesthetic requirements.			
Hydraulic and actuator seals	Seals for control systems, wheels and brakes, suspension components, landing gear, etc. as well as actuator seals for wings, doors, hatches and cowlings.			
Specialty tires	Tires for baggage-handling vehicles and passenger boarding stairs, for example.			
Thermal insulation	Composite materials that provide thermal protection for aircraft and spacecraft.			
Ground support equipment	A range of products including aviation fueling hoses, bellows for passenger boarding bridges and airport terminal flooring.			

Trelleborg's contribution to UN Goal 7: Affordable and clean energy Safe extraction and transport of energy. Components for wind and solar power solutions.



LESS CO² FROM AIRCRAFT

One of the major driving forces behind new aircraft platform development is reduction of fuel consumption. Greening fleets is a key focus as for every ton of fossil fuel burnt, three tons of ${\rm CO}_2$ are produced.

To reduce consumption of fossil fuels, aircraft now fly on synthetic and biofuels. This is only made possible by seals, essential safety-critical components of any aircraft engine, being compatible with these fuels. If a sealing material is wrongly specified, these fuels can potentially cause degradation, possibly leading to seal shrinkage and leakage.

To optimize performance and ensure passenger safety, Trelleborg undertakes extensive material development and testing to identify the optimum sealing materials for use with environmentally friendly aviation fuels.



GRI: G4-8, G4-15

ANNUAL REPORT 2016 TRELLEBORG AB 4

LIGHT VEHICLES – FOR A GROWING MIDDLE CLASS



Global growth is becoming increasingly polarized, with high-growth countries and certain major customers serving as the catalysts. A growing middle class and ever-increasing demand for light vehicles and more streamlined manufacturing represent future drivers for the automotive industry.

Light vehicles. For Trelleborg, the *Light vehicles* segment encompasses products and solutions for manufacturers of light vehicles and other vehicles.

The industry was one of the first to become truly global, which is accentuated in that manufacturers now use the same platforms for their models in all regions of the world. The industry is continuously driving innovations that improve safety, reduce fuel consumption and make it possible to run vehicles on alternative fuels.

Trelleborg is an important partner to the major OEMs, supporting them – through its global presence – with specialized applications expertise for various polymer-based niche solutions that seal, damp and protect.

Examples of products and applications				
Boots Polymer-based boots that protect driveshafts and steering systems.				
Brake shims	Noise-damping rubber and metal laminates for brakes, for safer and quieter braking.			
Seals	Sealing solutions that are used throughout the vehicle, for example, in electronic control units and in the fuel system.			
Hoses	Hoses for tank trucks and gasoline pumps for the safe transfer of fuel.			
Sealing systems	Sealing profiles for light and heavy vehicles that can withstand vibrations and high temperatures.			



Trelleborg's contribution to UN
Goal 3: Good health and well-being
Noise reduction. Components in
medical equipment. Administration
of medicine and vaccines.



STOP SQUEALING

Low-frequency brake noise, a long-standing problem in cars, has become a bigger issue as driver expectations and environmental demands increase. As automotive designs become more lightweight, greater structural vibrations make low-frequency brake noise more pronounced. The industry standard for solving squeal noise has been the use of shims or insulators. However, low-frequency squeals and moans require a different solution.

Trelleborg's Reqill Tuned Absorbers deal with moans that occur at low speeds and low brake pressure, characterized by a resonant frequency component typically between 100 and 500 Hz. They also counteract low-frequency brake squeal in an approximate range of 800–3 000 Hz

A unique aspect of Trelleborg's product is that it is able to function from the moment the ignition is switched on, when the vehicle is cold, until the end of the journey. The extremely broad temperature range of this product is possible thanks to Trelleborg's unique design and material selection.

The problem of low-frequency brake noise varies across different makes and models, so Trelleborg has worked with a number of vehicle manufacturers and brake systems suppliers to develop unique solutions for individual applications.

ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-8, G4-15

NEW TECHNOLOGY GENERATES MULTI-DIMENSIONAL CUSTOMER VALUE

Business relationships are continuing to evolve and will be different in the future. Customers will expect a different type of support compared with today and other means of interaction. Trelleborg is continuing to leverage the opportunities being created by new digital technology.

Focus on innovation and customer

integration. Digital technology enables new ways of generating value for and interacting with customers. Trelleborg is investing in various digital offerings in order to make life easier and increase value for its customers.

This involves smart products with built-in sensors and tracking systems, but also making it easier to do business with Trelleborg via online design programs and digital channels, such as web-based and mobile applications.

As a result, Trelleborg's business is increasingly shifting from simply supplying products to also delivering service and solutions.

This is also enabling Trelleborg to create new business concepts, such as the 2016 launch of Seals-Shop.com, an e-commerce platform focusing primarily on hydraulic seals for the Maintenance, Repair and Operations (MRO) market and smaller Original Equipment Manufacturer (OEM) customers in Europe.

EASIER TO DO BUSINESS WITH TRELLEBORG

Smart

product

Marketing &

communication

Intelligent products that fill a function and provide insight

For example, a variable inflation pressure system for tires consisting of a set of sensors measuring several parameters along with an electronic central processor controlling a compressor and a valve to adjust the pressure.

New, efficient models that enable interaction with various target groups

For example, new ways of adapting to specific target groups and using engaging digital marketing and cutting-edge communication.

New ways of doing business

Business

model

Services &

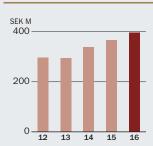
tools

For example, a new business concept that also is a service concept – the Interfit industrial tire operation, where advances in digital technology are making it possible to include industrial tires in lease contracts.

Smart tools for customer interaction and product management

For example, advanced logistics solutions and solutions that allow customers to design their own products and solutions using apps, among other tools.

Research and development*



* Expensed, excluding amortization.

In 2016, Trelleborg's research and development expenditure amounted to SEK 396 M (366), corresponding to about 1.5 percent (1.5) of sales.





WE ARE CONTRIBUTING TO A MORE SUSTAINABLE SOCIETY

A year that has made us stronger. A year of new challenges during which we were also able to begin showing how our innovations are contributing to sustainability.

During the year, we began to truly show our business environment and customers how our polymer-based innovation helps to protect the environment, people, infrastructure and assets. With the launch of Blue $Dimension^{TM}$ – solutions for better sustainability, we now have numerous examples to demonstrate how well-equipped Trelleborg is for future challenges. Read more about how our solutions contribute to an increasingly sustainable society on pages 34-44.

2016 was also an eventful year for Trelleborg in other ways. The acquisition of new operations, particularly Czech-based CGS, helped our Group to expand significantly. Although Trelleborg emerged from the year better equipped for the future, it is also facing new challenges. When it comes to health and safety as well as energy efficiency, we have considerable work to do in several of our recently acquired units before we can achieve the levels we are striving toward within the Group.

Overall, Trelleborg's CR work reflects our shared commitment to comply with legislation and rules, including international agreements, to offer a safe workplace and resource-efficient production, and to be an attractive employer known for its diversity and dedication. We endeavor to raise the bar for ourselves in all of these areas every year. Some of the most important aspects of our four focus areas are:

Regulatory compliance. When it comes to compliance with legislation and rules, we assign high priority to further developing our work related to training and information in all relevant areas; a new Code of Conduct will be introduced throughout the Group in 2017. Our goals also apply to our suppliers, who we encourage to comply with our Code of Conduct and the guidelines of the UN Global Compact.

Resources. We continuously seek to conserve our resources when it comes to energy and raw materials, to eliminate all wastefulness and to be a safe and secure workplace. Our Safety@Work, Energy Excellence and climate-related programs – for which we have established a new, challenging target for 2020 – remain top priorities within all units, particularly our recently acquired units.

Diversity. We work actively in many ways to truly show that diversity is important to us and positive for our business. We are introducing a new key figure to help us increase the percentage of female managers in our operations, which will ultimately yield a higher number of female candidates for senior positions.

Community involvement. Trelleborg cultivates good local relationships wherever we are in the world by participating in various community activities and through selected local projects that aim to support child and youth development. Our high-profile school and community projects in Sri Lanka, Brazil and India are good examples of this.

These were some of the most important features of our CR work during the year, both within in the company and along our value chain – from suppliers to more sustainable customers and society.

Peter Nilsson, President and CEO

TRELLEBORG AND THE GLOBAL COMPACT

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



GRI G4 GUIDELINES AND EXTERNAL AUDITORS

Trelleborg's 2016 CR Report is based on GRI G4, the Global Reporting Initiative's Sustainability Reporting Guidelines, with Core options.

PricewaterhouseCoopers has reviewed and assured compliance with this option, with a focus on the most significant CR issues. Refer to the Assurance Report on page 129.

See the GRI Content Index on page 128. For more information and a detailed GRI Content Index, refer to the full 2016 CR Report, which from April 2017 can be downloaded from www.trelleborg.com/About Us/Corporate Responsibility.

The 2016 CR report is prepared for sustainability reporting in compliance with the Annual Accounts $\mathop{\rm Act}\nolimits$.

TRELLEBORG FOCUSES ON MATERIAL ASPECTS

Trelleborg has gathered the aspects that key internal and external stakeholders consider most significant into four focus areas: Regulatory Compliance, Resources, Diversity and Community Involvement. Like most of the world's leading companies, Trelleborg's CR Report is based on the GRI G4 Global Reporting Initiative Guidelines.

Key stakeholders. The determination of key stakeholders for Trelleborg is primarily based on the degree of mutual dependency, and the direct impact of Trelleborg's operations and activities on this stakeholder group.

Key stakeholder groups with mutual and direct relationships with the company and its activities can be found across the value chain - Suppliers, Employees and Customers.

Another key group with a strong mutual relationship is Shareholders, including potential owners, meaning investors.

In terms of sustainability issues, a major portion of the stakeholder group Society comprises citizens with a direct connection to Trelleborg's operations, such as those living close to Trelleborg's facilities. Among these members of society is another growing group who, via Trelleborg's products and solutions, have a positive effect on the sustainability of society at large. As part of Trelleborg's focus on solutions for sustainability (Blue Dimension™, refer to pages 34-35), this contribution to society will be further accentuated in the future.

In addition, Society stakeholders are represented by the media, researchers and students, for example, whose interaction with the company takes the form of personal meetings with company representatives as well as other forms of dialog and communication, such as websites, social media or CR and Annual Reports.

Materiality analysis. Several rounds of materiality analyses have been conducted since 2007 using surveys and interviews with internal and external stakeholders. The purpose of these analyses is to ensure that the company's CR efforts take into consideration the significance of Trelleborg's operations for various stakeholder groups and that its CR communication actually meets their expectations.

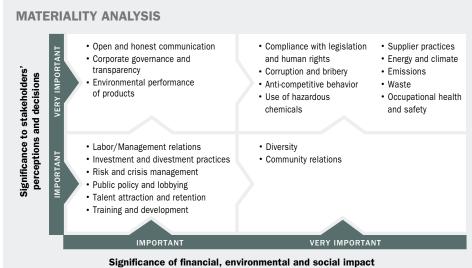
The outcome is presented in the figures below. The predominant aspects in the outcome of these analyses have consistently been expectations with respect to Compliance with legislation and human rights, Measures against corruption and bribery and Measures against anticompetitive behavior as well as a number of key environmental aspects for the industry such as Energy consumption, Emissions, Waste and Use of hazardous chemicals.

For some stakeholder groups, other aspects such as Diversity, Community relations, Open and honest communication, Corporate governance and transparency and Environmental performance of products have also emerged as highly significant. Using this analysis, Trelleborg has combined its most material sustainability aspects into four focus areas: Regulatory Compliance, Resources, Diversity and Community Involvement. For a more detailed overview of how the sustainability aspects are allocated to each of the focus areas. refer to the Index on page 128.

Review. Trelleborg's materiality analysis and focus areas were reviewed during autumn 2016. It should be noted that the review was based on the company's CR Reports up to 2015.

- » Representatives of the key stakeholder groups Shareholders/investors, Customers and Society/environmental organizations were asked to provide feedback on which sustainability aspects they consider most significant for Trelleborg, which areas of the Group's sustainability work they believe can be further improved and where they see business opportunities combined with sustainability for Trelleborg.
- » In cooperation with the International Institute for Industrial Environmental Economics at Lund University in Sweden, exercises were conducted in October 2016 with about 50 students from the two Master's programs offered by the institution. The goal was to evaluate the

FOCUS ON MATERIAL ASPECTS Shareholders Suppliers Employees Customers Society Key stakeholders. Groups characterized by a strong



Materiality analysis. The most material sustainability aspects for both external and internal stakeholders are shown in the upper right quadrant.

degree of mutual dependency, both from the per-

spective of the stakeholder group and the business.

materiality analysis in Trelleborg's 2015 Annual Report and its new focus on sustainability-related products, Blue Dimension™, partly based on the perspectives of key stakeholders. The students were divided into groups that acted as each stakeholder group and used the results of their roleplay to produce views and criticism of the CR Report and promotional materials for Blue Dimension™. Another day was also devoted to presenting and commenting on the results for Trelleborg.

Looking at both the various aspects of the review from external stakeholders and the internal evaluations conducted by Trelleborg during the year, the most obvious change in the 2016 materiality analysis is that products and solutions for sustainability are more clearly considered a new area for the future. A clear example is the section on Blue Dimension on pages 34-35 and pages 36-45.

Another question that emerged during 2016 was how Trelleborg can most effectively work to promote diversity in terms of

establishing a broader recruitment base to employ women in leading positions and as Board members. One obvious possibility is to take active steps to expand the number of women at middle management levels 4 and 5, which correspond to two and three levels, respectively, below the position of business area president. This type of work will ultimately generate more female candidates for senior positions. Refer to page 11 and page 60.

A selection of the other recurring conclusions of the evaluation for each



TRELLEBORG'S FOCUS AREAS AND MATERIAL ASPECTS

Correct is correct

Anticorruption/Code of Conduct
 Social and Environmental Compliance
 Human rights

- Child and forced laborFreedom of association
- Supply chain responsibility

Personal Community of Community

Raising the bar

- Health and safety
- Energy
- · Climate impact
- Water
- · Emissions to air (VOCs)
- Waste
- Chemicals

Your difference makes the difference

· Age, ethnicity and gender

We contribute to a better society

· Community development

team of Masters students that conducted the evaluation of materiality in Trelleborg's CR Report in October 2016. The MESPOM and EMP Master's programs at the International Institute for Industrial Environmental Economics, Lund University, Sweden, educates future policy makers in the field of global environmental sustainability.

focus area is presented below. These conclusions were addressed during the preparation of the 2016 CR Report and the corresponding online communication.

Proposed improvements:

» Regulatory compliance. Further clarity is requested with respect to the Group's approach within the focus area. Strategic sourcing is considered an important aspect: supplier reviews should continue and be further developed, and natural rubber is a priority in terms of risks.

Trelleborg's comments: This is a prioritized area in 2017 and subsequent years. A new roll-out of the Code of Conduct and continued focus on natural rubber are high on the CR agenda.

» Resources. Trelleborg handles large quantities of chemicals, which requires increasingly well-developed management in terms of environmental and work environment risks. The climate issue remains central: the expansion of the tire operations during the year has created challenges in terms of CO₂ emissions, and fossil raw materials represent an area where a long-term strategy should be established.

Trelleborg's comments: The area of chemicals remains in focus for the Group Chemical Task Force. The new "20 by 20" climate target addresses emissions and is carefully monitored (see *pages* 56-57).

» Products. What Life Cycle Assessment procedures are in place? In what areas can we move toward "servicification", meaning selling a service rather than a product?

Trelleborg's comments: Via Blue Dimension[™]. the procedures for lifecycle thinking and analysis will be further developed in the years ahead. Servicification is the focal point for Trelleborg's investments in intelligent solutions, see *page 45*.

The image below shows how various material sustainability aspects are distributed, both along the value change – from Suppliers upstream to Society downstream – and across various focus areas.

EXAMPLES OF STAKEHOLDER DIALOG IN 2016:

February 22-25

Sustainable supply chain. Meetings with textile companies and natural rubber suppliers in Bandung, Indonesia, and in Singapore

May 11

Presentation and discussion concerning Trelleborg's sustainability work and targets at the Trelleborg European Works Council (TEWC) in Snekkersten, Denmark

May 24

Full-day visit to Trelleborg by Asian business leaders on the theme of Sustainable Business Practices within the Framework for the Swedish Institute Management Program (SIMP).

June 3

Information meeting and discussion regarding Trelleborg's sustainability work with institutional investors at Nordea in Stockholm, Sweden.

September 22

Visit and presentation on Trelleborg by program managers and coaches in Trelleborg's Star for Life school program in Kelaniya, Sri Lanka.

September 30

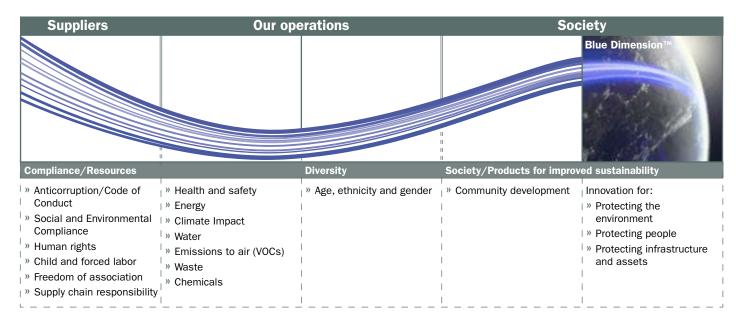
Participation in a panel discussion on sustainability reporting at PwC in Malmö, Sweden.

October 18-20

Stakeholder exercise with Master's students (see *previous page*) at the International Institute for Industrial Environmental Economics at Lund University, Sweden.

December 7

Global Child Forum meeting on the theme of "Nordic Companies and Children's Rights". Trelleborg selected as a positive example.



Trelleborg and the value chain. While Trelleborg's focus areas when it comes to CR have historically been based on the Group's operations, they have been expanded over time to include other activities both upstream and downstream in the value chain. In terms of materiality, social aspects were supplemented for the first time in 2016 with a new aspect: Products that contribute to the sustainability of society. This was done following input from the examination of the materiality analysis and the launch of Blue Dimension™ (refer to pages 34-35) in Trelleborg's various markets during the year.

MANAGING TRELLEBORG'S CORPORATE RESPONSIBILITY

Code of Conduct and monitoring. A pillar of the internal CR work is Trelleborg's Code of Conduct (see also page 52) and policies in the areas of environment, occupational health and safety (OHS) and ethics. The Code is based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines and the UN Global Compact, which Trelleborg signed in 2007.

The Code of Conduct applies to all employees without exception, and training in the Code is mandatory for all employees. Refer to page 52.

Internal CR governance is further supported by various types of internal audits, within the framework of the occupational Safety@Work program and the ISO 14001 environmental management system, for example, as well as random external audits, such as initiatives to monitor compliance with the Code of Conduct. In November 2016, PricewaterhouseCoopers performed external audits of Trelleborg's units in Sri Lanka.

Whistleblower Policy. Trelleborg's Whistleblower Policy also supports the CR framework. The Whistleblower Policy enables all employees to report suspected legal or regulatory violations without repercussion. Reports can be submitted by phone or online in the employee's own language.

CR reporting and external reporting. The collection of CR data relates to all units included in the Group during the relevant period and is mainly performed within the framework of monthly reporting via Manufacturing Excellence (see *page 33*) and via specific CR reporting from all Trelleborg units twice per year. The same system is used to report both financial and CR data.

The external reporting of Corporate Responsibility issues that is published in *Trelleborg's Annual Report* and in the annual, slightly more comprehensive *Corporate Responsibility Report* is based on the G4 Guidelines of the Global Reporting Initiative (GRI), according to the Core option. In addition, there is a Corporate Responsibility section under About Us on



Trelleborg's website www.trelleborg.com, from where Annual Reports and CR Reports can also be downloaded, including those published in previous years. The CR Reports also serve as Trelleborg's annual Communication on Progress (COP) reports for the UN Global Compact.

The CR Report for 2016 contains detailed descriptions of sustainability governance and an index to clarify exactly how the report follows the GRI guidelines.

Organization. At Board level, the Audit Committee has been assigned to monitor the Group's work with CR issues. In 2016, the Board was presented with new case stories from Trelleborg's daily Corporate Responsibility work at each meeting. Together with a more in-depth review at the Board meeting at mid-year of CR targets and indicators for each focus area for the coming period, this has helped to clearly underline the Board's commitment to the strategic direction.

The operational CR organization consists of a Steering Committee comprising the managers of Group Legal, Group Corporate Communications and HR staff functions, while the day-to-day activities take place in the *Corporate Responsibility Forum*, a group comprising representatives from the Group Corporate Communications, Legal Department,

Environment, HR, Purchasing and Group Finance/Treasury staff functions, and from the Manufacturing Excellence Program, as well as out in the operational units.

Direct responsibility for environmental and occupational health and safety (OHS) issues is locally delegated – each production plant has an environmental coordinator and an OHS officer.

ORGANIZATION



COMPLIANCE WITH LAWS AND CODES

Trelleborg's Code of Conduct in the areas of environment, OHS and ethics applies to all employees, without exception. The Code of Conduct is based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines and the UN Global Compact.

Trelleborg's Whistleblower Policy implies that every employee is entitled to report suspicions of legal or regulatory violations without repercussion. The Company's Code of Conduct and associated training program was revised in 2016 and will be launched throughout the Group in 2017, something that will contribute further to increasing awareness of relevant legislation, internal regulations and the Trelleborg Group's Code of Conduct.

Trelleborg's extensive work with regulatory compliance includes the prevention of corruption, anti-competitive practices, human rights violations and environmental law breaches.

Anti-corruption and competition law.

Trelleborg has a zero tolerance policy toward all forms of corruption, including all types of bribery and extortion, blackmailing, nepotism, racketeering and embezzlement. The original contents of Trelleborg's Groupwide Competition Law Compliance Program, launched in 2008, has been continuously developed and now includes such issues as anti-corruption, export control, employee relations as well as questions about professional conduct and business ethics. Recently introduced elements are aimed at achieving excellence in the management of contracts, and in issues related to global distributors and agents. The program also provides information and guidance on the relevant legislation, such as English anti-corruption law.

In order to show how compliance with laws and regulations is an ongoing and long-term commitment for Trelleborg, a

Compliance Task Force with senior representatives from staff functions was established in 2015. The Task Force has been assigned to lead and coordinate initiatives across the broader area of regulatory compliance.

During the year, the Compliance Task Force held four meetings that addressed, among other things, an update to training courses for the Code of Conduct and Group policies (see box below), a description of the role of Compliance Officer, trade restrictions, compliance and effects of new legislation, a review of legal entities and the integration of acquired businesses.

In 2016, more than 650 managers and employees with customer contact underwent training in seminar form on competition law, contract management and other issues related to regulatory compliance.

In addition to this, approximately 120 managers and employees took part in online meetings about contract management, and some 200 managers and employees in online meetings about export restrictions. Preparatory measures were undertaken for the launch of new e-learning programs about export restrictions, U.S. corruption legislation (FCPA) and competition law, in order to further ensure an understanding of legal compliance issues.

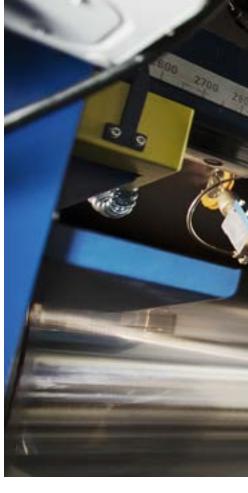
All employees are required to comply with applicable policies and internal governance documents, which have been strengthened at senior management levels of the company with acceptance documents that must be signed annually.

The Group's Whistleblower Policy also entitles all employees to report any

suspected legal or regulatory violations without repercussion.

During the year, 14 matters were reported via the Whistleblower system, most of which concerned complaints about local management and measures such as staff reductions. In some cases, reviews were carried out that identified non-compliances with the Group's Code of Conduct and policies, and relevant measures have been taken in these cases.

In 2016, Trelleborg's Compliance Task Force completed its initiated review of Group policies to ensure that the messages they contain are understood by all individ-



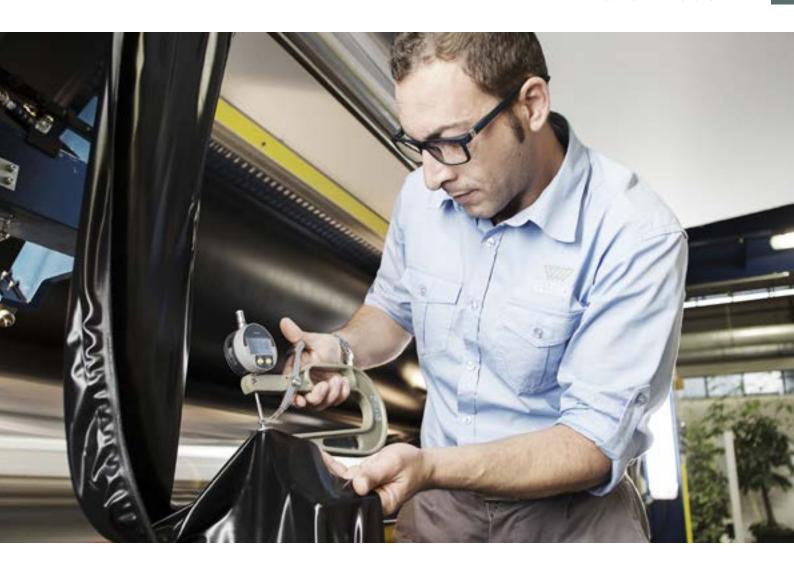
THE CODE OF CONDUCT IS THE BASIS FOR REGULATORY COMPLIANCE AND CR

Trelleborg's Code of Conduct in the areas of environment, OHS and ethics applies to all employees, without exception. The Code of Conduct is based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines and the UN Global Compact. Trelleborg's Whistleblower Policy implies that every employee is entitled to report suspicions of legal or regulatory violations without repercussion.

The Company's training material for policies and Code of Conduct was revised in 2016 and will be rolled-out throughout the Group in the first quarter of 2017. The goal is that 85 percent of the Group's employees will have completed the Code of Conduct training during the year. E-learning and other training material is available in 11 languages.

New training material in competition law has also been launched in 2017 in e-learning format, which enables a faster global roll-out for the target groups concerned.





uals representing Trelleborg as a world leader in engineered polymer solutions. The Group's Compliance Program supports senior and middle management, as well as employees in the field and on the shop floor. They are supported by Compliance Officers in each company, who undergo special training in which they are encouraged as a group to share best practice in compliance issues to help others respond to the situations that may arise in their daily work.

Specific legislation must be followed in certain countries, such as the U.S. (the Dodd-Frank Wall Street Reform and Consumer Protection Act related to conflict minerals, and Technology Transfer Control legislation) and the U.K. (Bribery Act, Modern Slavery Act, which is designed to prevent the U.K. from becoming a destination country for men, women and children who are transported mainly from Africa, Asia and Eastern Europe for sex trafficking and forced labor).

Compliance with laws and permits. Being a listed company with global operations, Trelleborg is subject to a range of laws, regulations and directives. No cases (0) of significant breaches of laws and permits leading to legal consequences or fines were

reported in 2016, (with the exception of environment and OHS-related laws, which are presented on the next page).

The area of human rights comprises fundamental rights defined by conventions and declarations, including those pertaining to child and forced labor, freedom of association and collective bargaining, discrimination/diversity and gender equality. All of these areas are addressed in Trelleborg's Code of Conduct, see page 52.

Within the framework of Trelleborg's ERM processes for risk identification and assessment, none of the Group's units has assessed the risk of human rights violations to be significant. A number of potential risks in the supply chain have been evaluated. Among those leading to measures was the risk of child labor at rubber plantation level, see below.

Child labor. In 2016, zero (0) child labor breaches were reported. Trelleborg has collaborated with Save the Children for several years – a project that is consistent with the company's support for children and youth activities all over the world, and also strengthens our expertise in the area of child labor.

Trelleborg gathered more than 1,000 representatives of direct and indirect

natural rubber suppliers in Sri Lanka during 2014–2015 for a series of informational and training meetings, aimed at strengthening their knowledge of Trelleborg's Code of Conduct in general, and of child labor specifically. The same type of work continued in 2016-2017, with a dialog with suppliers relating to Southeast Asia and Africa.

Forced labor includes various phenomena, from outright slavery to forced relocation and forced exploitation of human beings (trafficking). In 2016, zero (0) forced labor breaches were reported.

Freedom of association. Trelleborg's policy is to recognize local union clubs, and the right to collective agreements. No units are assessed to be at serious risk of violation in this area. A total 54.7 percent (52.2) of Trelleborg's employees at the Group's units are represented by a trade union through collective agreements.

Discrimination. No discrimination of employees is permitted on the grounds of gender, religion, age, disability, sexual orientation, nationality, political views or social or ethnic origin, which is presented clearly in the Code of Conduct. In 2016, 5 cases (8) of discrimination were reported and reviewed. A settlement has been reached between the parties in the majority of

cases, while others are still subject to negotiations. Trelleborg considers that measures taken in 2016, including local training, terminating employment for local employees who have breached Trelleborg's Code of Conduct, together with reinforced communication that no discrimination is tolerated in the Trelleborg Group, has helped improve understanding of these issues.

Read more about diversity at Trelleborg on page 52.

The environmental area comprises regulatory compliance with local environmental laws and permits, as well as the ISO 14001 environmental management certification.

Environmental management. A cornerstone of the Group's environmental strategy is that major production units must have an ISO 14001-certified environmental management system. Facilities that are incorporated following an acquisition are allowed a certain period of time to achieve this certification, and 2016 was a year when an unusually high number of facilities were added, a net total of 17.

At the end of 2016, 88 units (77) were certified, corresponding to approximately 73 percent (80) of all 120 facilities.

Environment laws and permits. In 2016, 3 cases (4) of fines or sanctions for breaches of environment or OHS-related laws and regulations were reported. The total amount is equivalent to SEK 36,000 (243,000).

Unplanned emissions. In 2016, 4 cases (0) of unplanned emissions of caustic soda/paint/chemicals were reported, totaling less than 3 cubic meters.

Contaminated soil. Historically, the handling of oil and solvents has given rise to soil and groundwater contamination. Contaminated soil is currently being remediated at 9 units (6). Another 12 facilities (12) are expected to require remediation, although the extent has not yet been determined. Trelleborg is also active as one of several formal parties in another 7 cases (6) of remediation, 3 in

Sweden (3) and 4 in the U.S. (3), although with marginal liability for costs. The Group's provisions for environmental commitments amounted to SEK 61 M (61) at year-end.

Environmental studies. When conducting acquisitions and divestments, Trelleborg performs environmental studies of the companies to assess and outline their environmental impact and to identify potential environmental liabilities. In 2016, 27 studies (26) of facilities were performed in conjunction with acquisitions or closures.

Suppliers. Suppliers – the total number of which is in the order of 23,000 – are concentrated in Europe, North America and Asia. Trelleborg's main raw materials are synthetic and natural rubber, respectively (refer also to *page 53*), metal components and additives. No material represents more than 10 percent of the total raw material cost.

While purchasing is based on a joint process, it is distinctly decentralized to the operational units, in line with a far-reaching responsibility for performance. The exception to this is when purchases at the business area or Group level yield cost benefits, particularly in respect of rubber material and indirect purchases, meaning material and services that are not directly included in products.

Trelleborg aims to work only with suppliers that adhere to the Group's business principles. During the year, zero supplier relationships (0) were terminated due to breaches of the Code of Conduct. Furthermore, zero ongoing investigations of such breaches by suppliers (0) were reported.

Supplier assessment. Supplier assessments have primarily been conducted via Group-wide questionnaires, with questions related to human rights, and also OHS, environmental management and social responsibility. Unsatisfactory responses are investigated.

The goal is that every production unit will have completed a supplier assessment equivalent to at least 80 percent of the relevant purchasing value defined by

Trelleborg. The outcome in 2016 is suppliers equivalent to 80.6 percent (84) of the relevant purchasing value underwent an assessment. The many new units acquired in 2016 means that a large number of suppliers have been added to Trelleborg. Work evaluating these is underway, but they are still not at the same level as the other units. The new Trelleborg units have been given training to ensure the correct assessment routines.

Supplier audits. In 2015, work was initiated auditing "at-risk suppliers", and this continued in 2016 with 14 audits (12) performed during the year, primarily in China. The focus has been on textile suppliers and chemicals suppliers. The basis for selection is both a geographic and material risk assessment.

Underperforming suppliers are given a deadline of 1 to 3 months for corrective measures following an audit, depending on the severity of their breaches.

The most serious breaches in 2016 include blocking emergency exits and deviations in routines for chemicals handling.

CENTRAL POLICIES IN THE AREA OF COMPLIANCE

All relevant employees sign an Acceptance Letter every year where they confirm knowledge of and compliance with the policies that form the core of the regulations Trelleborg applies in the area of Compliance:

- » Anti-corruption Policy
- » Competition Law Policy
- » Whistleblower Policy
- » Policy for Handling of Agreements
- » Policy for Transactions with Related Parties



SAFE AND EFFICIENT USE OF RESOURCES

Manufacturing Excellence, which develops Trelleborg's production processes, and the Group's Safety@Work program for health and safety, are two of the pillars of the company's efforts to achieve a safe workplace and efficient resource management.

The year 2016 was characterized by acquisitions which, in certain areas in terms of safety and resource efficiency, means that newly added units will require time to adapt in order to gradually meet the standards and target levels set by Trelleborg. Two of the most important programs for this are Manufacturing Excellence and Safety@Work.

Manufacturing Excellence comprises the areas of safety, quality, delivery precision and efficiency, and is based on a systematic approach to process improvement that also yields distinct positive effects on resource efficiency. Read more about the various Excellence Programs on page 33.

Occupational health and safety. Trelleborg's Safety@Work program aims to create a shared safety culture through improvement programs and prevents work-related accidents and injuries. The program is monitored by performing annual audits in which the facilities are assessed in relation to best practice in terms of occupational health and safety management, machine safety, accident follow-ups, etc. Deviations are assessed according to a traffic light system where yellow and red dots require an action plan.

Zero fatal accidents occurred in 2016 (0). In May 2016, an accident was reported in Sri Lanka; an explosion in a mixing chamber caused a blast that hit two employees, one of whom suffered serious burns.

In 2016, a total of 402 cases (238) resulting in at least one day's absence



(Lost Work Cases, LWC) were reported. The number of LWC per 100 employees per year was 2.4 (1.9). The increase is entirely attributable to the units added during the year. The newly acquired CGS units generally have a higher accident frequency rate than the rest of the Group, which also impacts the key figures. The aim is to implement Safety@Work in these units in 2017 and to train occupational health and safety officers at each site. The average number

of work days lost per injury was 24.1 (29.8).

Another goal is that all of Trelleborg's facilities have a well-functioning safety committee with representation from plant management. In 2016, such committees were in place at 85 percent (93) of the facilities.

Absenteeism in Sweden. In 2016, total absenteeism at the Group's units in Sweden amounted to 5.9 percent (5.2) of normal working hours.

Health and safety



The number of work-related injury/illness cases per 100 employees resulting in more than one day's absence has gradually declined, but increased in 2016 due to the many newly acquired units.

Key figures			Relative	to sales, seк м
	2016	2015	2016	2015
Energy (GWh)	1,248	942	0.047 1)	0.038
Climate impact (tons CO ₂)	385,000	280,000	14.2 2)	11.3
Water (m³)	2,180,000	1,850,000	80.4	74.6
Waste (tons)	50,600	44,500	1.9	1.8
Emissions to air (tons VOC)	1,005	903	0.037	0.036

- Newly acquired units are included for the portion of the year they have been part of Trelleborg. Compared to the rest of Trelleborg, these units generally have higher energy consumption relative to sales because of their product mix, see comments on page 56. An estimate based on pro forma values for new units in CGS (acquired in 2016) indicates an energy efficiency for Trelleborg + CGS units at the end of 2015 amounting to 0.0473 GWh/sek M. The equivalent pro forma value at the end of 2016 is 0.0509 GWh/sek M.
- A pro forma value at the end of 2015 for Trelleborg + CGS units has also been calculated for CO₂ emissions relative to sales: 16.0 tons/sek m. This constitutes the base value for the Group's "20 by 20" objective to reduce emissions relative to sales by 20 percent by the end of 2020 (see page 57). The corresponding pro forma value for 2016 is 16.2 tons/sek m.

Raw materials and chemicals. The Group's principal raw materials are polymers (rubber, composites and plastics) and metal components, as well as additives comprising softening agents (oils), fillers such as carbon black, and vulcanizing agents (sulfur, peroxides). Trelleborg's environmental policy stipulates that hazardous substances and materials are, to the greatest extent possible, to be reduced and replaced in products and processes, and as a chemical user, Trelleborg is affected by the EU REACH regulation.

In addition to the ongoing work with REACH compliance, the central chemical activities during the year were carried out by the Group Chemical Task Force, a corporate-level team that assists the business units in their efforts to phase out substances considered harmful. An internal Restricted Materials List has been compiled, and a project was actively pursued by the team during the year focusing on prioritized materials.

Energy and climate. A significant portion of the Group's energy consumption – and thus its climate impact – is connected to fossilfuel combustion for the production of steam (direct energy and emissions) and purchased electricity, steam and district heating (indirect energy and emissions).

In 2016, the Group's total energy consumption was 1,248 GWh (942).

Direct energy consumption based on incineration in own facilities amounted to 590 GWh (446).

The Group's total energy costs for 2016 were SEK 610 m (555).

This all reflects a higher production rate year-on-year, where it should be particularly noted that acquired units increased the size of the Group by approximately one-fifth. The largest acquisition, CGS (see *page 31*), is included with all of its units since June 2016, when the acquisition was completed.

Accordingly, overall use increased, as did energy consumption relative to sales, 0.047 GWh per SEK M (0.038), which must be considered logical as the Group's product mix changed in conjunction with acquisitions in 2016 to a higher proportion of tire manufacturing, a relatively energy-intensive process.

Energy Excellence, an initiative for systematic energy optimization at all units, is part of the Manufacturing Excellence program. All production units have an activity plan to reduce energy consumption, with the target to improve their energy efficiency by 3 percent per year.

In addition to process-related measures, many units are focusing on heat recovery. Another focus in 2016 has been to replace conventional lighting with LEDs.

Climate. In 2016, total ${\rm CO_2}$ emissions amounted to 385,000 tons (280,000), of which direct ${\rm CO_2}$ emissions amounted to 122,300 tons (96,900). Total ${\rm CO_2}$ emissions relative to sales were 14.2 tons (11.3) per SEK M.

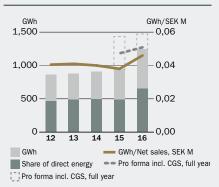
Trelleborg's new 20 by 20 climate objectives (refer to text on page 59)



address the intensity, meaning the total size of the emissions relative to operations, and work to identify optimal energy sources in terms of ${\rm CO_2}$ emissions for the operations in each country.

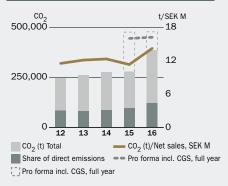
A clear challenge in the years ahead is

Energy



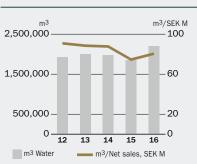
Energy consumption has increased, both in total and relative to sales, due to the impact of acquired units during the year. Over time, Trelleborg's systematic measures for energy efficiency are expected to yield results. For 2015 and 2016, the pro forma values have also been added, indicating the full-year outcome for Trelleborg including the CGS units (acquired in 2016), refer to page 55.

Climate impact

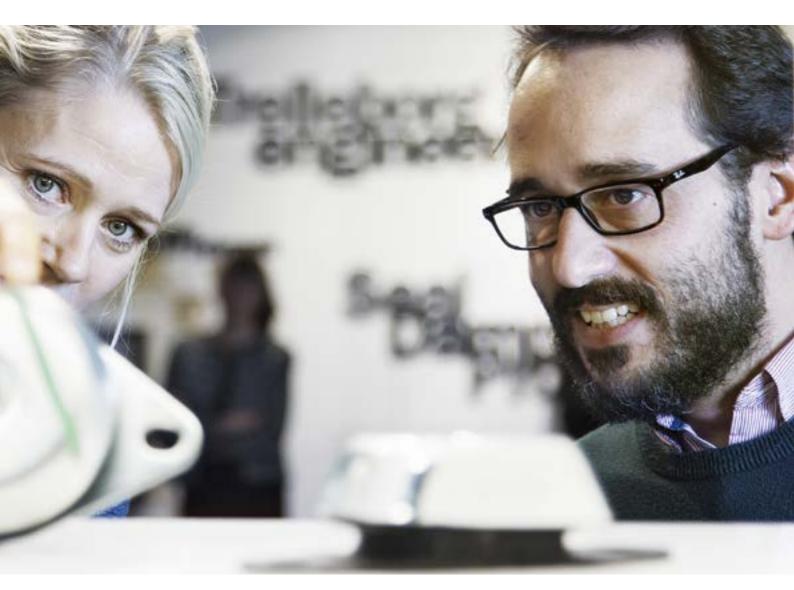


Emissions have increased, both in total and relative to sales, due to the impact of acquired units during the year. Over time, Trelleborg's systematic measures for energy efficiency are expected to yield results. For 2015 and 2016, the pro forma values have also been added, indicating the full-year outcome for Trelleborg including the CGS units (acquired in 2016), refer to page 55.

Water



In 2016, water consumption, meaning water for production and sanitary water, increased in both absolute terms and relative to sales.



to ensure that recently acquired units, many of which include energy-intensive tire manufacturing, rapidly achieve greater energy efficiency. This would enable even higher climate efficiency, measured in emissions relative to sales. To this end, a new baseline has been created for the "20 by 20" climate goal, based on performance in 2015 for some previous Trelleborg units and some new units from CGS,

see comments in the table on page 55. Using this baseline, the first year since the integration of the CGS units into the Group (also calculated pro forma) has been relatively stable and provide a foundation for continued improvement. Trelleborg is carefully following developments in order to achieve the climate target by 2020.

The calculation of CO₂ emissions from the consumption of purchased electricity

DRIVING SUSTAINABLE ECONOMIES

or steam is based on national conversion factors from the International Energy Agency. These reflect the average total energy mix of each country. Emissions are lower from hydro and nuclear power, but higher from coal and oil. Recently acquired units in countries with an energy mix that produces higher emissions (Czech Republic, Serbia, etc.) has increased Trelleborg's carbon footprint in 2016. This means the year's CO₂ emissions increased in relative terms more than energy consumption.

Some Trelleborg units reported the purchase of "green energy", which means lower CO₂ emissions per unit of energy used compared with a country average. This has been included in the total emissions figure for 2016.

Water. The focus for monitoring water consumption lies on facilities operating in areas with local or regional water shortages.

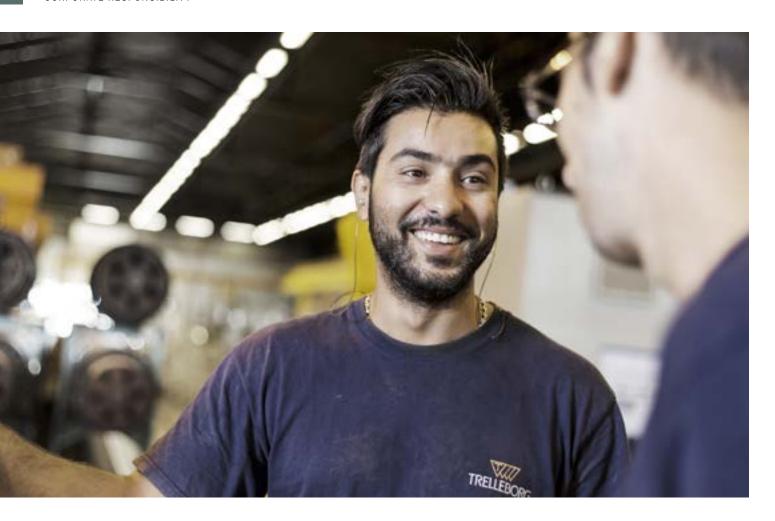
In 2016, water consumption was 2.18 million m^3 (1.85). Consumption per SEK M was 80.4 m^3 (74.6). Of the proportion of water per source, 57 percent (46) was from drinking water, 20 percent (25) from the company's own wells, 23 percent (28) from

CLIMATE REPORTING IN ACCORDANCE WITH THE CDP

Since 2007, Trelleborg has participated in the CDP's (formerly the Carbon Disclosure Project) voluntary reporting of greenhouse gas emissions, which involves openly reporting relevant key figures and data, measures to prevent adverse climate impacts, and products, solutions and initiatives to improve society in this respect.

In the Annual CDP Report for 2016, Trelleborg received a score of C, which means the company demonstrates *Awareness* of how environmental concerns are inter-related with operations (2015: 73D, different scale).

A company's path towards a high level of environmental protection/ administration is described by CDP using a process in four scoring levels that begin with D (*Transparency*), continues with C (*Awareness*), followed by B (*Governance*), and finally A (*Leadership*).



surface water and 0 percent (1) from other sources. Water is mainly used for cooling and washing in our production processes. Major savings have been made since 2008 by using, for example, improved cooling and recycling systems.

A mapping of water scarcity has been carried out for regions where Trelleborg's production units are located. The results indicate that certain units are located in regions where water scarcity may become an issue, such as in China, Italy, the U.S. and Sri Lanka.

Emissions to water are limited but mainly comprise organic matter.

Waste. In 2016, the total amount of waste was 50,600 tons (44,500). The amount of waste per SEK M was 1.9 tons (1.8). Continuous efforts are taking place within the local operations to cut production waste, which helps to reduce the amount of waste, and with a higher rate of recycling at a lower cost. Recycling is carried out by external partners and internally.

In 2016, the Group's total waste management cost amounted to SEK 68 M (44). The distribution was 4 percent (3) to internal recycling, 49 percent (46) for external recycling, 11 percent (11) for energy recovery, 27 percent (32) for

landfill and 9 percent (8) for other waste management services. Of the total waste, rubber accounted for slightly more than 27 percent (23).

The amount of environmentally harmful or hazardous waste requiring special treatment amounted to 6,287 tons (5,122).

Emissions to air. In addition to energyrelated emissions such as carbon dioxide (see pages 56-57), sulfur dioxide - 184 tons (204) - and nitrogen oxides - 54 tons (45), the company's emissions to air mainly consist of volatile organic compounds (VOCs). Trelleborg uses the same definition of VOC as the EU. The reduction of VOC emissions is a priority, both from an environmental and health perspective. Emissions are mainly derived from the use of solventbased adhesives, which are critical for a relatively limited number of products and production units.

VOC emissions in 2016 totaled 1,005 tons (903). Emissions per seк м amounted to 0.037 tons (0.036).

The installation of recycling equipment for solvents is planned for 2017 for the printing blanket unit in Brazil, which in addition to improving the situation locally is also expected to have an impact on VOC emissions for the Group as a whole.

Waste



In 2016, the amount of waste increased in absolute terms and also relative to sales due to newly added units.

Emissions to air



Total VOC emissions, and relative to sales. Despite the addition of many new units in 2016, the figure for emissions relative to sales has remained stable.

TRELLEBORG AND CLIMATE: NEW GOAL "20 BY 20"

Climate change has been an important issue on Trelleborg's sustainability agenda for many years. 2008 was used as the base year for Trelleborg's first long-term objective to significantly improve its internal climate efficiency. The Group's "15 by 15" goal - to become 15 percent more climate-efficient by year-end 2015 - was not only achieved but surpassed.

Being energy-efficient, and thus climate-efficient, is important to the Group's efforts to achieve world-class manufacturing. Trelleborg has once again raised the bar, introducing a new goal for the period until the end of 2020. The goal is now to become another 20 percent more climate-efficient by then, with 2015 as the base year - and we thus refer to the initiative as "20 by 20".

The emissions in question are the direct emissions caused by energy produced internally, included in Scope 1 of the Greenhouse Gas Protocol (see the diagram below), and the indirect emissions caused by energy purchased for own consumption, corresponding to Scope 2 in the diagram below.

The ongoing Energy Excellence program (refer to page 48) has reduced energy consumption in Trelleborg's production since 2009, while simultaneously reducing CO₂ emissions to different degrees in different countries.

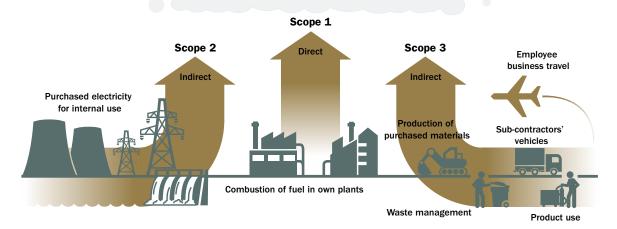
Scope 3 includes indirect emissions primarily from purchased transport, but also, for example, travel, purchased materials, product use and waste management.

The new step "20 by 20" is important but also represents a major challenge since Trelleborg carried out a significant acquisition based in the Czech Republic, which resulted in the Group growing by approximately a fifth of its size, and increased the overall share of tire manufacturing - an energy-intensive process - in the Group. To create true and fair comparative figures, the 2015 figure for the base year has been calculated by adding together Trelleborg's emissions with emissions from CGS's units for the same year.

"The core of Trelleborg's internal improvement efforts is to purposefully save more energy and become even more efficient in our manufacturing processes. Over time, this work will have an effect on our recently acquired operations," says Trelleborg's President and CEO, Peter Nilsson.

And there is another path to take: In a growing number of countries, "green" energy, particularly electricity, is becoming available at prices comparable with those of fossil energy. As this happens, a transition can take place to renewable energy sources, such as wind, solar and hydropower. This transition has already taken place in Trelleborg's Italian operations. All of the Group's Italian manufacturing facilities switched to green energy in early

2016, which resulted in a clear reduction in CO₂ emissions. As this trend takes off in other countries, the Group will have an opportunity to take decisive action to reduce its emissions.



NEW METHOD PROVIDES OPPORTUNITY TO REDUCE CARBON FOOTPRINT

"Through the acquisition of CGS and the Mitas units, new technology comes into play: using nitrogen in the process of vulcanizing tires. This offers Trelleborg Wheel Systems in Tivoli, Italy, the opportunity to end its dependence on superheated water in the production of large agricultural tires. The new method indicates the potential to radically reduce Tivoli's CO. emissions," says Marco D'Angelo, Industry Director at Trelleborg Wheel Systems.

When vulcanizing large tires, the tire material is pressed against the inside of the mold using an expandable bladder. Currently, in Tivoli, this bladder is filled during the process with steam and superheated water at different temperatures and pressure; both parameters are critical for the process. High temperatures strengthen the vulcanization of the inside of the tire, while high pressure helps the compression molding of the outside of the tire.

With the new process - which is already in use at two of Mitas' facilities, in Otrokovice, Czech Republic and Charles City, U.S. - nitrogen can replace steam and superheated water. This

would allow Tivoli to shut down the energy-intensive process of superheating water. The advantages and potential quality risks associated with the method are being investigated by a group coordinated by R&D managers at Trelleborg Wheel Systems.



DIVERSITY PROVIDES OPPORTUNITIES

A significant factor in Trelleborg's value creation is the expertise and diversity of its employees.

Alongside the fundamental rules against special treatment and discrimination in the Code of Conduct (see page 51), the company values knowledge wherever it is found, with no other criteria than the fundamental view that all people are equal and have the same rights.

Trelleborg works to achieve a balanced mix of ethnicities, ages and genders in its operations.

Ethnicity. A basic rule is that the company's senior management and other managers should have a local presence, which naturally leads to ethnic diversity in the management of a company that operates in more than 40 countries.

Management at levels 1–3 of the company (senior management team and those in senior positions in the business areas) comprised 13 different nationalities (10).

Age. A core issue for all knowledge organizations, including Trelleborg, is the ability to recruit young talent. Attracting younger people to white-collar positions is also important due to the expected number of retirements over the next ten years.

Trelleborg has for a number of years focused on the younger generations – employees born 1980 and later (Generation Y). Several different initiatives have been carried out, such as a global survey and workshops targeting Generation Y and those who lead employees from younger generations. The Group's intranet is constantly being developed using feedback from younger generations in order to make it more user-friendly and in line with

contemporary expectations for functionality and technology. Regular courses are held focusing on ways to use the intranet.

Trelleborg has also put new emphasis on Employer Branding, meaning the type of employer we are and how we want to be perceived, both internally and externally. To this end, a motto has been written that reflects our promise as an employer as part of an initiative to increase our focus on attracting, retaining and developing talented people. This motto – Shaping industry from the inside – is used internally and externally, in both digital channels and in print as well as at career days, trade fairs and other events.

Gender. In an engineering-dominated company like Trelleborg, efforts to achieve a gender balance present challenges that require work at all levels. Higher Group and business area levels remain dominated by men, but the gender distribution is significantly more balanced in the business operations. From 2016, a key figure will be introduced that measures the proportion of women at management levels 4 and 5 (refer to diagram) in the company, with the ambition to raise the percentage from year to year, and over time create a better gender-balanced recruitment base at higher levels.

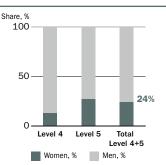
Efforts to achieve a gender balance include actively seeking women candidates for all executive and managerial positions, and for all of the Group's training and development programs, particularly its leadership programs.

The induction program for new managers

has also shown positive signs, with more women at management levels. In 2016, 27 percent of participants were women.

During the final quarter of 2016, special recruitment training was offered to the Group's HR managers regionally in North and South America, Europe and Asia. During the first half of 2017, the same training program will be offered to managers globally. One of the main aims of the training program is to increase awareness and learn to avoid unconscious, preconceived ideas about candidates in a recruitment process, which should eventually result in a workforce with greater diversity.

Gender distribution at management levels 4 and 5*



The proportion of women at management levels 4 and 5 in Trelleborg's units* was 24 percent, the same proportion as for women in the organization as a whole (see Note 11, page 97). The proportion of women is highest at level 5: 27 percent, while the share at level 4 is 13 percent.

The proportion of women in Group management is 9 percent (9) and on the Board of Directors 33 percent (33).

* Excluding newly added units. Level 4 corresponds to employees who report to a Business Unit President

TRELLEBORG GROUP UNIVERSITY CONTRIBUTES TO DIVERSITY

Ethnicity. The Group's joint training organization Trelleborg Group University (TGU) supports the company's strategic cornerstone for geographical balance (see *page 30*) in terms of both development and by offering training activities. During 2016, training programs took place in ten different languages in 22 countries within the framework of TGU, including the Excellence initiative.

The Induction Program for New Managers had 37 managers with 16 different nationalities.

The Graduate Program, which started in October 2016, includes participants with 16 different nationalities.

Trelleborg International Management Program (TIMP) was run in 2016 for the first time over three continents, and covered Europe, Asia and North and South America. This was to support our local presence combined with our global reach and to create new opportunities for leadership development, irrespective of the ethical background of participants.

The leadership programs have generally been adapted with the framework for the Trelleborg Group University both to management in intercultural environments and to management across different age groups.

Age. Trelleborg's Mentoring Program offers younger participants an opportunity to develop within Trelleborg, by offering support from an experienced, more senior manager. The Mentoring Program is a valuable initiative to transfer knowledge and experience in the organization to younger generations, and also provides senior mentors an opportunity to learn about expectations on the work, demands on leadership and on technology from the younger generations.

Gender. The Graduate Program, an important part of the Trelleborg Group University's portfolio, provides the Group's young talent with an opportunity to grow and develop their career within Trelleborg. This popular program has been available for a number of years, and the proportion of women participants has increased from an average 15 percent in the early programs to 30 percent in the latest, which started in October 2016.

The Induction Program for New Managers has also shown positive signs, with more women at management levels. In 2016, 27 percent of participants were women.

60 ANNUAL REPORT 2016 TRELLEBORG AB GRI: LA10*, LA12*

BROAD-BASED COMMUNITY INVOLVEMENT

Trelleborg's role in society ranges from innovation for better sustainability to local programs for development and diversity.



Trelleborg's value for society. In the longer term, Trelleborg's products and solutions – what Trelleborg calls Blue DimensionTM – represent the company's most important opportunity to contribute to improvements in the sustainability of society. This is achieved through the ability of its products and solutions to protect the environment, people, infrastructure and assets, which is described in more detail on *pages 28-29*.

Trelleborg's total value generation in 2016 for various stakeholders in society is presented in figures on page 13.

Local development programs. In all of the different places and forms in which the company operates, Trelleborg aims to promote the social integration of groups, such as young people and the disabled. This is usually through educational and development initiatives, which include meaningful recreational activities, such as physical activity and sports. A number of programs with this focus are taking place in various countries, see below.

Other similar cooperation – support or sponsorship – of activities with an environmental, health or social focus are in progress locally at a significant number of Trelleborg units. In local collaborations with sports clubs, diversity is prioritized, primarily in the form of activities targeting young people.

In addition to these, Trelleborg collaborates with a number of schools and universities, such as internships with the University of Malta and Lund University in Sweden (refer also to pages 48-50 for examples of collaboration with the Interna-

tional Institute for Industrial Environmental Economics in Lund, Sweden) as well as various professional associations.

Sri Lanka. In partnership with Star for Life, a school program has been ongoing in Sri Lanka since 2012 and in 2016 this was extended to include two schools in the Colombo area: Kelani College and Bellana College.

The program aims to inspire and support school children to believe in their future and their dreams through regular coaching sessions and sports and music activities. In Sri Lanka, Trelleborg has also been running a pre-school under the name Antonio Bianchi's House in partnership with Child Action Lanka since 2010. The pre-school has daily activities for children with some form of functional disability.



Brazil. Trelleborg supports more than 6,000 children in pre-school operations in the Saō Paulo region of Brazil through Save the Children and its partner Fundação Abrinq, via a project that improves educational environments by training teachers and better equipping premises and playing areas.



India. In 2016, partnerships with voluntary organizations in India have continued. A Village Uplift Program was run in cooperation with the Hand in Hand organization, with the aim of creating an environment and an infrastructure to promote local development for the Maralukunte community in the Bengaluru region, located some 70 km from Trelleborg's facilities.



For integration and diversity. Trelleborg also runs local initiatives to contribute to social integration. For a number of years, the company has had a recurring cooperation with Trelleborg's Football Association and the Ramlösa Södra sports association, organizations that stand out as having used sport as a method to create social interaction and meaningful recreational activities for groups of young people, such as newly arrived refugees and the disabled.

During 2016, the Group launched additional initiatives in the town of Trelleborg, including internships for newly arrived academics in a program organized by EFL, Lund University, and our own internship program for unaccompanied refugee children in order to facilitate their adjustment to the education system and labor market.





RISK AND RISK MANAGEMENT

All business activities involve risk. Risks that are effectively managed may lead to opportunities and value creation, while risks that are not managed correctly could result in damage and losses.

Risk spread. The ability to identify, evaluate, manage and monitor risks plays a central role in the management and control of Trelleborg's business operations. The aim is to achieve the Group's targets while applying well-considered risk-taking within set parameters.

Trelleborg's operations are aimed at a broad range of customers, market segments and niches, with a wide geographic spread. The Group has operations in about 50 countries, sales are conducted in just over 150 countries worldwide and manufacturing operations are carried out at 120 production units. The business is diversified, which provides Trelleborg with an effective underlying risk spread.

Demand for the Group's products and solutions largely moves in line with fluctuations in global industrial production. Trelleborg focuses on maintaining an exposure to its market segments that has a good balance between early and late cyclical industry, meaning general as well as capital-intensive industry, the demand from which often balances each other out. Seasonal effects occur in the various market segments, particularly in the agriculture segment, which normally experiences higher demand for tires for agricultural machines during the first half of the year. For the Group, demand is usually higher in the first half of the year than in the second half of the year.

Sustainability-related risks. In addition to the identified major risks described on pages 64-67, there are at least three risk areas related to sustainability issues: the first area pertains to Regulatory compliance, meaning the risk of insufficient compliance within both the organization and the supplier chain (refer also to page 54); the second area pertains to Resources and primarily relates to risks associated with resource or material shortages or the negative impact of emissions; the third pertains to Products, mainly risks associated with the use of Trelleborg's products and services.

Although these areas of sustainability-related risk are not considered major risks for the Group individually, they could all result in credibility risks should they arise.

Credibility risks. As one of the leading companies in the polymer industry, Trelleborg is subject to high expectations from many of its stakeholders. The Group is exposed to a risk that the behavior or business decisions of individual employees could destroy the credibility built up over a long period of time, not least since the Group operates in a global market with a strong brand and in certain segments with an elevated risk level. It is thus crucial that events and conduct that could have a negative impact on the company's brand and credibility are monitored and minimized.

Trelleborg focuses on a variety of issues and activities to strengthen and build stakeholder trust in the Group, such as training in the Code of Conduct, a clear and well-known brand promise, stakeholder dialog, product safety and so forth.

Events or decisions beyond Trelleborg's control that could lead to operational disruptions, damage or loss of substantial impact for the entire Group are also important to monitor and maintain readiness for.

The Corporate Responsibility section on pages 46-61 includes information about Trelleborg's proactive work related to regulatory and code compliance and other areas.

The Corporate Governance Report on pages 73-75 contains a detailed description of the internal controls used to manage the risks associated with financial reporting.

Financial risks are described in Note 31, pages 114-116.

Enterprise Risk Management. Trelleborg has an established process for Enterprise Risk Management (ERM process) that provides a framework for the Group's risk activities. The purpose of the ERM process is to provide a Group-wide overview of Trelleborg's risks by identifying them, evaluating them and providing a basis for decision-making regarding the management of risks, and to enable a follow-up of the risks and how they are managed. Responsibility and reporting channels in the ERM process are illustrated in the diagram on page 65.

ERM priorities. Trelleborg has identified 9 major risks in 5 areas. These include risks that may result in damage or loss with substantial impact on the entire Group and therefore justify management of the risk at Group level. The process used to identify these risks is illustrated below.

The Group's various companies, business areas and business units have identified a total of about 250 risks. The vast majority of these risks are managed locally.

Some 30 of these approximately 250 risks that may have a major impact at a

business area and/or Group level are identified and discussed each year and thus justify the risk being managed at one of these levels. The evaluation of the risks and consolidation of priorities is led by the Risk Management staff function and comprises a component of the annual strategy process. This process primarily involves the management teams of the business areas, but also Group Management and the staff functions.

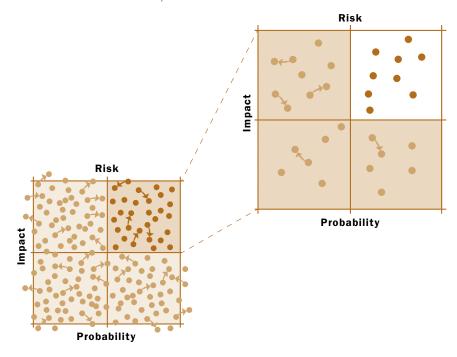
On the basis of the risk prioritization prepared in the ERM process, the Board continuously identifies and prioritizes risks that may significantly affect the possibility of achieving the Group's objectives.

The 9 major risks that are deemed to have a significant impact on the entire Group are managed by the ERM Board, which leads the overall coordination and monitoring of risk activities. 5 meetings are planned in the ERM Board for 2017, which are preparatory meetings for Audit Committee and Board meetings.

Read more about Trelleborg's major risks on *pages* 66-67.



OF 250 IDENTIFIED RISKS, 9 ARE MANAGED AT GROUP LEVEL

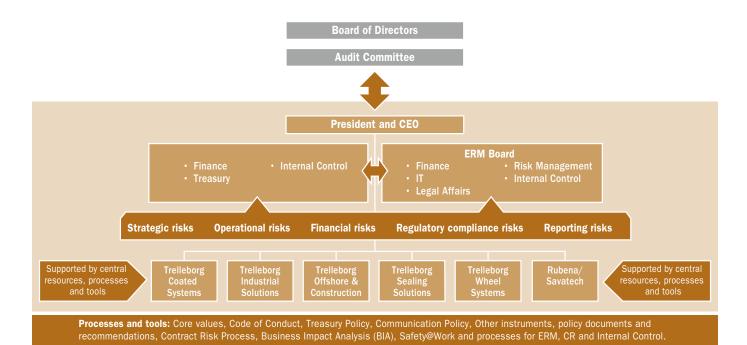


These risks may, over time, have more or less of an impact on the business and are more or less likely to occur. Some risks concern all operations in the Group, while others relate only to specific areas or individual operations.

Nine major Group risks

- 1. Violation of laws and permits
- 2. Corruption and fraud
- 3. Products in environments with elevated risk levels
- 4. Substandard and inappropriate agreements
- 5. Negative environmental impact
- 6. Insufficient environmental management
- 7. Risk of injury at sites
- 8. Disruptions to critical IT systems
- 9. Commercial failures





MAJOR RISKS AT TRELLEBORG

RULES

Major risks	Focus	Established key processes	Initiated and ongoing activities
Violation of laws and permits	Compliance with competition law	 Training seminars in applicable competition law. Export control focusing on embargoes and trade restrictions. Established procedures for approving membership in organizations, for example. Refer to pages 52-53. 	Establishment of a central Group steering committee, Compliance Task Force. Formalization and expansion of Group Internal Control, focusing on regulatory compliance.
Corruption and fraud	Measures preventing fraudulent conduct	 Continuous training. Established policies and procedures. Acceptance Letters issued by the Group's President, whereby relevant employees sign a letter each year confirming their knowledge of the Code of Conduct and compliance with the Group's internal policy instruments. Trelleborg's whistleblower policy and process, which implies that each employee is entitled, without repercussions, to report suspicions of legal or regulatory violations. Refer to page 52. Review and evaluation of agency and distribution agreements. Special committee for the counteraction of financial fraud. 	Review of Group's internal policy instruments. Introduction of Policy Quick Guides to further increase the distribution and comprehension of regulations and the Group's core values.

PRODUCTS & AGREEMENTS

Major risks	Focus	Established key processes	Initiated and ongoing activities
Products in environments with elevated risk levels	Review of products and solutions	 Risk assessments to identify products with an elevated risk level, for example, in the areas of oil & gas, marine oil and gas hoses, healthcare & medical and aerospace. Legal review and risk assessment of contracts and processes concerning production and project management. 	Training and workshops which follow operationally specific risk assessments of products and contracts. The concept was initiated within the Trelleborg Offshore & Construction business area and has now been expanded to selected areas of the Group.
Substandard and inappropri- ate agree- ments	Examination of agreements	Comprehensive training in issues concerning agreements. Legal examination and evaluation of contracts in 11 prioritized areas.	Further development of external services for focused and fast examination of contracts to facilitate business processes.

Percentage of risk work completed: 25% 50% 375%

100%

SITES

Major risks	Focus	Established key processes	Initiated and ongoing activities
Negative environmental impact	Review of the sites' local environment	 Mapping of environmental risks for all new building and acquisitions. Continuous surveillance of the sites in question and a focus on the handling of chemicals, rainwater and the risk of flooding. 	Increased surveillance and monitoring of the handling of chemicals. Establishment of ISO 14001 multi site certification, which results in increased standardized analysis and control.
Insufficient environmental management	Focus on hazardous materials and chemicals	Update of list of materials with restrictions (see page 54), in relation to the use of chemicals and continued environmental assessments at the point of acquisition.	Establishment of a Group-wide steering committee for chemicals, Global Chemical Task Force. Further expand the internal list of chemical restrictions. Phase out chemicals with significant environmental and health effects.
Risk of injury at sites	Protection of critical sites	 External and internal analyses for the Group's operations and results of critical sites. Guidelines for new building and site upgrades. Increase the number of risk-classified sites being upgraded to Highly Protected Risk level (HPR). Improve the lowest performing and most critical sites. 	Selection of Group-wide risk areas, customization of injury-preventing guidelines and increased monitoring. Increased focus on and monitoring of major risks at critical sites. More in-depth mapping of natural disaster risks, with a particular focus on flooding.

IT

Major risks	Focus	Established key processes	Initiated and ongoing activities
Disruptions to critical IT systems	Minimize disruptions	 Improved level of service in terms of the IT infrastructure. Implement upgrades in a structured, Group-wide manner. Ensure compliance with legal requirements in the various countries in which the Group operates. Improve information security in and between systems. 	Structuring of new ERP implementations and increased monitoring of Internal Control. Localization of servers and review of physical protection and information security. Preparations to ensure the Group's compliance with the requirements in the new EU Data Protection Act.

DISRUPTIVE ACTIVITIES

Major risks	Focus	Established key processes	Initiated and ongoing activities
Commercial failures	New product segments, major projects and acquisi- tions	 Acquisition survey and examination program within the areas of finance, operations and law. Central approval of new products in selected segments, such as healthcare & medical and aerospace. 	Increased business support when establishing new product segments and larger projects concerning responsible risk management, legal risks and new establishments of operations.

Percentage of risk work completed: 25% 50%

75%

100%

CORPORATE GOVERNANCE THAT SUPPORTS VALUE GENERATION

After many years of hard work at all levels within Trelleborg, two important transactions were concluded in 2016 – the acquisition of CGS and the divestment of the Group's participation in Vibracoustic. Trelleborg's organization and its employees are well positioned to take the Group onward toward greater value generation.

Tools in value creation. Corporate governance means that the Board of Directors, through processes and governance documents, both supports and ensures that Trelleborg is managed as sustainably, responsibly and efficiently as possible, and that governance becomes a tool for increasing the value of Trelleborg. A clear structure and clear rules ensure that focus is on developing our business.

Even if we can minimize certain risks by having procedures and preparedness to address the unexpected, and by taking a precautionary approach, it is important to point out that it is not entirely risk-free to reach leading positions in selected segments. Initiatives such as geographic shifts, acquisitions, technology and product development, investments and so forth are business risks that are considered and taken in each individual case when we decide on the path to our goal.

Supports the development of the Group. But the goals are of little interest without employees who have the will and commitment to change, to improve and to do good business. This is where the second part of corporate governance comes into play – to provide guidelines and offer support in developing the Group. Trelleborg's strategy is to secure leading positions in selected segments, and the Group works in different ways and at different levels to achieve this.

Milestone year 2016. I look upon 2016 as a "milestone year" for Trelleborg. Two major events in particular took place that fundamentally reshaped the Group. The acquisition of CGS, the largest for decades, is one of these, and entails a major and significant investment in a larger and more profitable Trelleborg. The tire operation has doubled in size and has a better geographic and market presence.

The Group's participation in the Vibracoustic joint venture was concluded during the year. As a result of the divestment, Trelleborg has reduced its exposure to the pricesensitive light vehicles segment at the same time as the antivibration business in this segment has grown into a globally leading player. The goals set for Vibracoustic have been achieved and exceeded with significant value generation.

Success through a decentralized organization. Market insights, ideas and value growth are developed in Trelleborg's local operations. Responsibility for business is found in local markets and the Group applies a far-reaching, decentralized responsibility for earnings, the balance sheet and cash flow. Because it is out there that it happens. It is employees who meet our customers every day, who offer them the best solutions and help to accelerate their businesses – as well as Trelleborg's. It is also employees who help to increase our productivity and reduce waste, who manage projects and help to develop the entire team in the most effective way.

On the part of the Group, we support employees through Excellence programs described on *page 33*. We carry out extensive talent development where employees progress and communicate work methods, processes and successful local initiatives to each other, which you can read about on *page 60*.

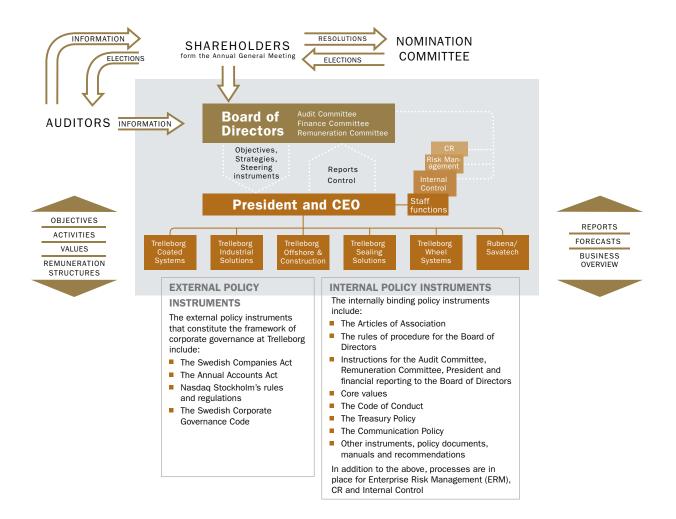
On behalf of the Board of Directors, I would like to sincerely thank all employees for the successes created in 2016 and for those that lie ahead through future changes.

Sören Mellstig

Chairman of the Board

CORPORATE GOVERNANCE

Trelleborg is a publicly traded Swedish limited liability company listed on Nasdaq Stockholm Large Cap. Trelleborg applies the Swedish Corporate Governance Code and presents its 2016 Corporate Governance Report in this section. Trelleborg has no deviations to report. The report has been examined by the company's auditor.



The basis for corporate governance at Trelleborg. A key feature of the Trelleborg Group's culture and core values is effective corporate governance with the purpose of supporting the Board of Directors and management in their efforts to increase customer benefits and achieve greater value and transparency for shareholders.

The responsibility for management and control of the Trelleborg Group is distributed between the shareholders, the Board of Directors, its elected committees and the President, as illustrated above.

Shareholders. Shareholders exercise their power at the Annual General Meeting, which is Trelleborg's highest decision-making body. The Meeting adopts the Articles of Association and, at the Annual General Meeting, the shareholders appoint Board members, the Chairman of the Board and auditor, and make 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 toward the company 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. Trelleborg's Annual General Meeting is usually held in April.

Annual General Meeting 2016. The 2016 Annual General Meeting took place on April 21, 2016, in Trelleborg. At the meeting, 688 shareholders (726) were in attendance, personally or by proxy, representing about 73 percent (73) of the total number of votes. A single shareholder, Dunker Interests, represented approximately 73.5 percent (74) of the votes at the Meeting. The Chairman of the Board, Sören Mellstig,



was elected Chairman of the Meeting. All Board members elected by the Annual General Meeting were present.

Resolutions. The complete minutes and information on the 2016 Annual General Meeting, including the President's speech, are available at www.trelleborg.com. The resolutions passed by the Meeting included the following:

- » Dividends to be paid for the 2015 fiscal year as per the Board's and President's proposal in the amount of SEK 4.00 per share.
- » Re-election of Hans Biörck, Jan Carlson, Sören Mellstig, Peter Nilsson, Anne Mette Olesen and Bo Risberg as Board members.
- » Election of Gunilla Fransson, Johan Malmquist and Susanne Pahlén Åklundh as new Board members.
- » Re-election of the Chairman of the Board.
- » Election of auditor.
- » Remuneration for the Board members and the auditor.
- » Principles for remuneration and other employment terms for the President and other senior executives.
- » Procedures for the Nomination Committee's appointment and work.

Annual General Meeting 2017. Trelleborg's 2017 Annual General Meeting will be held

on April 27, 2017 in Trelleborg. For information on the Annual General Meeting, refer to page 132.

Shareholders and the share. For information on shareholders and the Trelleborg share, refer to pages 7-9 and www.trelleborg.com.

Nomination Committee. The Nomination Committee represents the company's shareholders, nominates Board members, the Chairman of the Board and the auditor, and proposes remuneration to be paid to these.

Nomination Committee for the 2017
Annual General Meeting. The 2016 Annual General Meeting passed a resolution regarding the Nomination Committee and assigned the Chairman of the Board the task of asking representatives of Trelleborg's five major shareholders, not later than by the end of August, to each appoint one member to the Nomination Committee. The composition of the Nomination Committee is presented in the table to the right. The Nomination Committee also included Chairman of the Board Sören Mellstig as a co-opted member.

The Nomination Committee for 2017 held 4 minuted meetings (5) in addition to regular contact. As a basis for the Committee's work, the Chairman of the Board presented a report on the activities of the

Board, which included an evaluation of the Board's work and function performed by an external party. Furthermore, the Nomination Committee met the President and received a report on the performance of the business.

The Nomination Committee's guidelines for the selection of candidates to be nominated to the Board specify that they shall possess knowledge and experience relevant to Trelleborg's operations. The Nomination Committee observes the rules regarding the independence of Board members as well as versatility and breadth, as stated in the Swedish Corporate Governance Code.

NOMINATION COMMITTEE FOR THE 2017 ANNUAL GENERAL MEETING

EOLI ANNOAL GENERAL MELINIG					
Name/Representing	Share of votes, Aug 31, 2016	Share of votes, Dec 31, 2016			
Ragnar Lindqvist, Dunker Interests	54.0%	54.0%			
Tomas Risbecker, AMF Insurance & Funds	3.4%	3.2%			
Henrik Didner, Didner & Gerge Funds	2.8%	2.9%			
Olof Jonasson, First AP Fund	1.8%	1.7%			
Peter Lagerlöf, Lannebo Funds	1.4%	1.8%			
Total	63.4%	63.6%			

O ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-7

WORK OF THE BOARD OF DIRECTORS IN 2016

10 Board meetings (10) were held in 2016. Work focused largely on structural issues, acquisitions and the strategic plan.

Board meeting
 Meeting with the Audit Committee

Accounting issues. Year-end report and 2015 Accounting issues, work plan for and regular reporting from Annual Report, financial report, work plan for and the Internal Control staff function, reports from other Group regular reporting from the Internal Control staff staff functions regarding internal control activities, report function, reports from other Group staff functions and presentation from the auditor, plan for the Annual regarding internal control activities. CR issues. IT Report, IT audit. audit, risk management, report and presentation from the auditor, legal requirements and Report from Board Committees, report from the auditor, insurance coverage. report from the President, structural issues, forecast for 2017, plan for the Annual Report, CR issues, presentation Report from Board Committees, report from the of the Trelleborg Coated Systems business area, Board auditor, report from the President, Year-end report, 2015 evaluation, remuneration of the President. Annual Report, proposed dividend, forecast for 2016. CR issues, risk management, legal requirements and Accounting issues, interim report, financial report, work insurance coverage, structural issues. plan for and regular reporting from the Internal Control staff function, reports from other Group staff functions regarding internal control activities, tax issues, CR Adoption of 2015 Annual Report. issues, risk management, report from the auditor, assistance regarding proposal for election of auditors. Report from Board Committees, report from Resolution regarding the divestment of the President, interim report, structural issues, shares in Vibracoustic. strategic plan 2017-2019, CR issues, succession Work of planning, talent management. Accounting issues, interim report, financial report, work plan for and regular reporting from the Board the Internal Control staff function, reports from other Group staff functions regarding internal of Directors Report from the Board Committees. control activities. CR issues, risk management. report from the President, review of parts of auditor's audit plan, assistance regarding Trelleborg's operations in Stuttgart, Germany, proposal for election of auditors. audit planning, structural issues. Report from the Board Committees, report from the President, interim report, audit planning, structural issues, financing. Statutory Board meeting. Report from the Board Committees, report from the President, interim report, structural issues, financing, CR issues. Accounting issues, interim report, financial report, work plan Discussion about potential acquisition. for and regular reporting from the Internal Control staff function,

The President presents a report on the operations' performance at scheduled Board meetings. All business areas are usually given an opportunity to make an in-depth presentation of their operations at a Board meeting at least once per year. The Board conducts reviews with the auditor when audit reports are to be considered.

reports from other Group staff functions regarding internal control activities, tax issues, CR issues, risk management, report from the auditor, auditor's audit plan, assistance regarding

proposal for election of auditors.

Proposals to the 2017 Annual General Meeting. The Nomination Committee has decided to submit the following proposals to the 2017 Annual General Meeting for resolution:

- » Re-election of Board members: Hans Biörck, Gunilla Fransson, Johan Malmquist, Sören Mellstig, Peter Nilsson, Anne Mette Olesen, Susanne Pahlén Åklundh and Bo Risberg.
- » Re-election of Sören Mellstig as Chairman of the Board.
- » Election of registered auditing firm Deloitte AB as auditor.

Board of Directors. The Board of Directors is responsible for the organization and management of Trelleborg's affairs. In accordance with the Articles of Association, the Board of Directors is to consist of three to ten members, without deputies. Board members are elected annually by the Annual General Meeting for the period until the close of the next Annual General Meeting.

Composition of the Board of Directors in 2016. In 2016, Trelleborg's Board of Directors comprised 9 members elected by the Annual General Meeting, including the

President and CEO. Employees elect 3 representatives and 1 deputy to the Board of Directors.

The Group's CFO, Ulf Berghult, attends the Board meetings as does the General Counsel, Charlotta Grähs, 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.

For further information on Board members, refer to pages 76-77 and Note 11, page 98.

Chairman of the Board. The responsibility of the Chairman of the Board is to lead and guide the work of the Board and ensure that the work is well organized and conducted efficiently, and that the Board fulfills its obligations. The Chairman monitors operations in dialog with the President and 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 for ensuring that the Board's decisions are executed.

Independence of the Board. The Board's assessment, which is shared by the Nomination Committee, of the Board members' independence in relation to Trelleborg and the shareholders is presented in the table on pages 76-77. As evident from the table, Trelleborg complies with the Swedish Corporate Governance Code's requirements stipulating that the majority of the Board members elected by the General Meeting must be independent in relation to Trelleborg and company management, and that at least two of these are also to be independent in relation to Trelleborg's major shareholders.

Evaluation of Board's work and its members in 2016. The Chairman of the Board is responsible for evaluating the work carried out within the Board and the work involving Group management.

In 2016, an external consultant distributed questionnaires to Board members and, based on their responses and interviews carried out in previous years, analyzed the results. The results were presented and discussed by the Board and Nomination Committee, forming the basis for evaluating the size and composition of the Board. The evaluation focused on the Board activities in general and, to a certain degree, on the contributions made by individual Board members, including the Chairman and President.

Board evaluations carried out in previous years have distinctly influenced the work of the Board and committees.



The Finance Committee's work was characterized by the SEK 11 billion acquisition of CGS and the divestment of Vibracoustic. The Remuneration Committee discussed such subjects as succession planning and in particular the Group's training initiatives, which are the largest ever."

Sören Mellstig, Chairman of the Finance and Remuneration Committees

Board Committees. The Board has established three committees from within its ranks without this otherwise impacting the Board's responsibilities and duties. These are the Audit, Finance and Remuneration Committees.

Audit Committee. In 2016, the Audit Committee comprised Heléne Vibbleus, who following the Annual General Meeting was succeeded by Hans Biörck, who also chairs the Committee, and who in this role as Committee member was succeeded by Jan Carlson. Claes Lindqvist was succeeded after the Annual General Meeting by Sören Mellstig. Bo Risberg served as Committee member throughout the year. The Group's CFO, Ulf Berghult, the Group's General Counsel, who is also the Secretary of the Audit Committee, Charlotta Grähs, the Head of the Internal Control staff function, the Head of Group Finance, the Head of Group Treasury and the Head of Group Tax participate in the Committee meetings, as does the company's auditor, when necessary. In 2016, the Audit Committee held 5 meetings (5). The matters addressed are presented in the illustration on page 71.

Finance Committee. In 2016, the Finance Committee comprised Sören Mellstig, who also chairs the Committee, Bo Risberg and Hans Biörck, who was succeeded during the year by Johan Malmquist. Others who participate in Finance Committee meetings include the President and CEO Peter Nilsson, Group CFO Ulf Berghult and the VP Strategic Development & Group Projects, who is also the Finance Committee

Secretary. In 2016, the Finance Committee held 2 meetings (3). The Finance Committee acts on behalf of the Board, preparing the strategic issues in relation to financing, evaluating the Group's existing and required financing scope and the impact of major acquisitions on the Group's financial situation.

Remuneration Committee. In 2016, the Remuneration Committee comprised Sören Mellstig, who also chairs the Committee, Jan Carlson and Hans Biörck, who was succeeded during the year by Anne Mette Olesen. Senior Vice President, Human Resources, Paolo Astarita, who is also Secretary of the Remuneration Committee, participates in Committee meetings. In 2016, the Remuneration Committee held 3 meetings (5). The Remuneration Committee represents the Board in such matters as remuneration and other employment conditions for the President and other senior executives, management succession and succession planning, and leadership development.

Auditor. The Annual General Meeting appoints an auditor that examines the annual report and accounts, the consolidated financial statements, the administration of the Board of Directors and President, and the annual report and accounts of subsidiaries, and submits an audit report

Auditor 2016. Trelleborg's auditor is the PricewaterhouseCoopers AB firm of authorized public accountants, including Authorized Public Accountants Mikael Eriksson and Cecilia Andrén Dorselius.



The Audit Committee's year largely mirrored the work of the Board, but with extra focus devoted to areas such as risk management, internal control and CR issues. We also provided assistance in connection with the proposal for the election of auditor."

Hans Biörck, Chairman of the Audit Committee

ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-7

Mikael Eriksson is the Auditor in Charge. The 2016 Annual General Meeting appointed PricewaterhouseCoopers AB as Trelleborg's auditor for a period of one year.

President and Group Management.

The President and CEO manages the day-to-day administration of Trelleborg. The President is assisted by Group Management comprising presidents of business areas and managers of corporate staff functions.

Group Management 2016. At the end of 2016, Group Management comprised 11 individuals. Claes Jörwall, Senior Vice President, Mergers and Acquisitions, retired at year end. In 2016, Group Management held 4 meetings (5). These meetings focused on the Group's strategic and operational performance and budget follow-up.

Trelleborg's operations are organized into 5 business areas, and into the operations of Rubena and Savatech. The business areas consist of about 20 business units, which in turn comprise approximately 40 product areas. The organization is based on the principle of decentralized responsibility and authority. Each legal unit, which do not necessarily reflect the operating units, has its own Board of Directors that focuses on regulatory compliance, among other aspects.

For additional information about Group Management, refer to pages 78-79.

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

Trelleborg applies an approach involving far-reaching decentralized responsibility to drive and implement the Group's strategy. The Group's operating activities are pursued through independent operational units with responsibility for profit, balance sheet and

cash flows. Local managers and their coworkers make the commercial decisions, ensure that these are handled correctly and with a balanced approach to risk-taking. As a means of support, the respective business areas regularly follow up the results of their business units' operations, similar to the manner in which Group Management follows up the business areas as part of a well-established work process.

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: effective and efficient business activities, reliable reporting and compliance with applicable legislation and regulations. The Internal Control process takes its starting point for the process in the regulatory framework for internal control and issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which is based on 17 fundamental principles linked to five components. The Internal Control process is based on a control environment that creates discipline and provides structure for the other four components of the process - risk assessment, control structures, information and communication, and monitoring.

Internal control over financial reporting.

Internal control of the financial reporting aims to provide reasonable assurance of the reliability of 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.

Control environment. The Board of Directors bears overall responsibility for internal control over financial reporting. The Board has established a written work plan for the Board of Trelleborg and instructions for its Audit and Remuneration Committees that define the Board's responsibilities and

AUDITOR'S REMUNERATION 2016

SEK M	2016	2015
PricewaterhouseCoopers		
Audit assignment Audit activities other than	30	25
audit assignment	3	1
Tax consultancy services	5	4
Other services	13	8
Other auditors		
Audit assignment Audit activities other than	2	1
audit assignment	0	-
Tax consultancy services	1	0
Other services	1	-
Total	55	39



MIKAEL ERIKSSON Authorized Public Accountant, Auditor in Charge

Auditor of the Trelleborg Group since 2011. Partner of PricewaterhouseCoopers AB since 1989.

Qualifications: Graduate in business administration, Authorized Public Accountant since 1984.

Assignments: Meda, EcoLean and Elverket. Born: 1955.



CECILIA ANDRÉN DORSELIUS Authorized Public Accountant

Auditor of the Trelleborg Group since 2015. Partner of PricewaterhouseCoopers AB since 2016.

Qualifications: Graduate in business administration, Authorized Public Accountant since 2009.

Born: 1979.

regulate the internal distribution of work between itself and its committees. The Board has established an Audit Committee from within its ranks that represents the Board in matters concerning the monitoring of Trelleborg's financial reporting and, in relation to financial reporting, monitors the efficiency of Trelleborg's internal control, internal audit and risk management activities. The Audit Committee is to also 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 auditor's impartiality and independence, and providing assistance when preparing proposals regarding the appointment of auditor for approval by the Annual General Meeting. The Audit Committee is also to represent the Board by monitoring the Group's work in relation to CR and FRM issues and day-to-day financing operations, and annually reviews and makes proposals for changes to the Treasury Policy.

The Board has also established instructions for the President of Trelleborg and instructions for financial reporting to the Board of Trelleborg. The responsibility for maintaining an effective control environment and the day-to-day work involving internal control is delegated to the President.

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

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

Risk assessment. Trelleborg's risk assessment of financial reporting aims to identify and evaluate the most significant risks, including risk of fraud and risks in connection with significant changes, 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

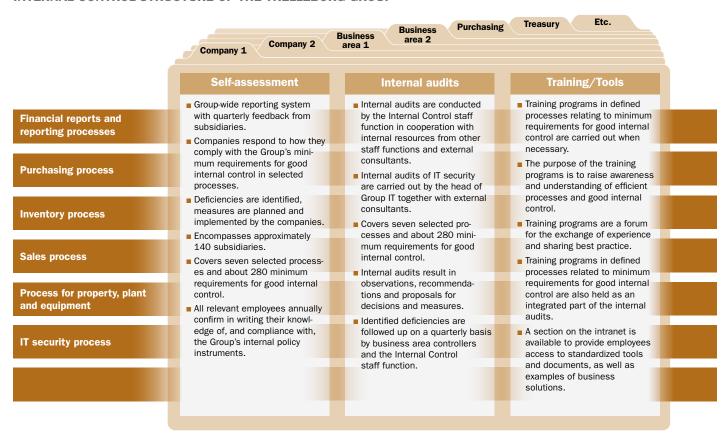
an annual basis under the direction of the Internal Control staff function and the results are reported to the Audit Committee.

Risk assessment in relation to financial reporting is conducted as part of the Enterprise Risk Management process, which is described on pages 63-64.

Control structures. The most significant risks identified in terms of 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 control structures aim to ensure efficiency in the Group's processes and good internal control and are based on the Group's approximately 280 minimum requirements for good internal control in the seven defined, significant processes. As of 2016, approximately 140 subsidiaries report their status by way of self-assessment with respect to all minimum requirements for good internal control. The control structures in the accounting and reporting process, which are significant for ensuring the reliability of financial reporting, contain 50 of the approximately 280 minimum requirements for good internal control.

Information and communication. Information and communication regarding internal

INTERNAL CONTROL STRUCTURE OF THE TRELLEBORG GROUP



ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-7

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

The Group has a process in which all relevant employees confirm their awareness of and compliance with the Group's internal policy instruments.

The Group's CFO and the Head of the Internal Control staff function report the results of their work 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 policy instruments.

The process for the Group's whistleblower policy has been gradually improved.

Monitoring. Monitoring to ensure the effectiveness of internal control over financial reporting is conducted by the Board, the Audit Committee, the President, Group Management, the Internal Control staff function, Group Finance, Group Treasury and Group Tax as well as the Group's companies and business areas. Monitoring

includes the follow-up of monthly financial reports in relation to budget and targets, quarterly reports with results from self-assessments in the Group's companies and business areas, and results from internal audits. Monitoring also encompasses following up observations reported by Trelleborg'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 2016. In 2016, the Internal Control staff function conducted 59 internal audits (56) in 26 countries (25), of which 13 were IT security audits (14) and 9 were system implementation audits (7). The emphasis was on Europe. Asia and the U.S. Most of the internal audits were conducted by the Internal Control staff function in cooperation with internal resources from other staff functions with specialist competence in such areas as purchasing, finance and legal affairs, or jointly with controllers from various business areas. Internal audits of IT security were carried out by external IT consultants together with senior executives in the IT Group staff function. In 2016, the Internal Control staff function

worked on a broad front with reviews of all processes. Focus areas that received greater attention during the year included monitoring of the implementation of the new Enterprise Resource Planning system (ERP system) and holding companies.

Activities in focus in 2017. The number of internal audits will generally remain at the same level as 2015 and 2016. Geographically speaking, the Internal Control staff function will primarily devote a greater focus to Europe and the U.S. In 2017, the Internal Control staff function will continue to work broadly on reviews of all processes, with a focus on acquired companies. A small number of combined financial and legal internal audits are planned in cooperation with the Legal Department.



FURTHER INFORMATION ON CORPORATE GOVERNANCE

The following information is available at www.trelleborg.com:

- Corporate Governance Reports from 2004 and onward.
- » Information regarding Trelleborg's Annual General Meetings from 2004 and onward:
 - Notifications
 - Minutes
 - President's speeches
 - Press releases













Name	Sören Mellstig	Hans Biörck	Jan Carlson	Gunilla Fransson	Johan Malmquist	Peter Nilsson
Position			President and Chairman of Autoliv Inc.			President and CEO
Qualifications	Graduate in business administration	Graduate in business administration	M.Sc. Eng.	Licentiate of Technology	Graduate in business administration	M.Sc. Eng.
Year elected	2008, Chairman 2013	2009	2013	2016	2016	2006
Born	1951	1951	1960	1960	1961	1966
Nationality	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish
Other assignments	Chairman of Cellavision AB, Ellevio AB, Impilo AB and Textilia. Board member of Ferrosan MD A/S and the Julin Foundation	Chairman of Skanska AB. Board member of Bure Equity AB, Crescit Asset Management AB and Dunker Interests	Board member of BorgWarner Inc., the Confederation of Swedish Enterprise and the Association of Swedish Engineering Industries	Board member of Eltel AB, Nederman AB, Net Insight AB, Enea AB, Permobil AB and Teleopti TEM AB. Member of the Board of Uppsala University and President of Novare Peritos	Chairman of Tingstad Papper AB. Board member of Dunker Interests, Elekta AB, Getinge AB, Mölnlycke Health Care AB, SCA AB and the Chalmers University of Technology Foundation	Board member of Beijer Alma AB, Trioplast Industrier AB and the Chamber of Commerce and Industry of Southern Sweden
Dependence	No	Yes. Dependent in rela- tion to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, the Dunker Interests	No	No	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, the Dunker Interests	Yes. Dependent in relation to the company as a result of his position as Trelleborg's President
Previous experience includes	President and CEO of Gambro and CFO and Vice President of Incentive	CFO of Skanska AB, Autoliv Inc. and Esselte AB	President of Saab Combitech	Various senior positions at Saab AB and Ericsson AB	President and CEO of Getinge AB and various senior positions at Electrolux AB	Business Area President at Trelleborg and posts within the Trelleborg Group, as well as management consultant at BSI
Own and related-party holdings 2016	117,809 shares	5,000 shares	1,100 shares	3,000 shares	5,000 shares	90,572 shares and 250,000 call options ⁶⁾
Own and related-party holdings 2015	117,809 shares	5,000 shares	_	_	_	90,572 shares
Shares in related companies	_	_	_	_	_	_
Audit Committee attendance	Member 3 of 5 ²⁾	Chairman 5 of 5	Member 5 of 5	_	_	_
Finance Committee attendance	Chairman 2 of 2	Member 1 of 2 ³⁾	_	_	Member 1 of 2 ³⁾	_
Remuneration Committee attendance	Chairman 3 of 3	Member 1 of 3 ⁴⁾	Member 3 of 3	-	-	-
Board meeting attendance	Chairman 10 of 10	Member 10 of 10	Member 10 of 10	Member 7 of 10 ⁵⁾	Member 7 of 10 ⁵⁾	Member 10 of 10
Remuneration 2016 ¹⁾						
Board, SEK 000s	1,425	520	520	520	520	_
Committee, SEK 000s	230	175	170	_	60	_
Total 2016, seк 000s	1,655	695	690	520	580	_
Remuneration 2015 ¹⁾						
Board, SEK 000s	1,300	475	475	_	_	_
Committee, seк 000s	100	200	50	-	-	_
Total 2015, seк 000s	1,400	675	525	-	-	_

Board assignments and holdings in Trelleborg as stated above reflect the situation as per December 31, 2016.

1) Remuneration paid to the Board of Directors for the period May 2016-April 2017. 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 the 2016 calendar year, remuneration was paid as per Note 11. No consulting fees were paid to Board members. Remuneration is not paid to executive Board members. Remuneration excludes travel allowances.

²⁾ Sören Mellstig succeeded the previous member Claes Lindqvist on the Audit Committee as of meeting number three.

Johan Malmquist succeeded Hans Biörck on the Finance Committee as of meeting number two.
 Anne Mette Olesen succeeded Hans Biörck on the Remuneration Committee as of meeting number two.
 Assumed the role of Board member as of meeting number four.

Refer to page 78 for more information about call options.















Name	Anne Mette Olesen	Susanne Pahlén Åklundh	Bo Risberg	Göran Andersson	Peter Larsson	Mikael Nilsson	Ingemar Thörn
Position	Chief Marketing Officer at AAK AB	Executive Vice President at Alfa Laval AB		Mechanic, appointed by the Unions of the Trelleborg Group (LO)	Plant manager, appointed by the Unions of the Trelleborg Group (PTK)	Industrial worker, appointed by the Unions of the Trelleborg Group (LO)	Customer service, appointed by the Unions of the Trelleborg Group (PTK)
Qualifications	MBA and B.Sc. Eng.	M.Sc. Eng.	MBA and B.Sc. Eng.	Mechanic, training in negotiation skills and labor law	Engineer	Training in labor law, economics and personnel policy	Engineer, training in purchasing and logistics
Year elected	2015	2016	2010	2014	2011	2009	2014
Born	1964	1960	1956	1959	1965	1967	1972
Nationality	Danish	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish
Other assignments	Board member of EASIS A/S	Board member of Alfdex AB	Chairman of Piab Group Holding AB and Valmet Oy. Deputy Chairman of Grundfos Holding A/S. Board member of Nordstjernan AB, Stäubli Holding AG and the Poul Due Jensen Foundation	Member of Unions of the Trelleborg Group (LO)	Chairman of Unionen Trelleborg AB. Member of Trelleborg European Works Council and Trelleborg Swedish Works Council (PTK)	Chairman of Trelleborg Swedish Works Council (LO) and Chairman of Trelleborg European Works Council. Board member of Avdelning 52 Hus AB	Deputy Chairman o Unionen Trelleborg AB. Member of Trelleborg Swedish Works Council (PTK
Dependence	No	No	No	_	_	_	_
Previous experience includes	Management positions at Coloplast A/S, Chr. Hansen A/S and Danisco Ingredients A/S	Various manage- ment positions at Alfa Laval	President and CEO of Hilti Corporation and various management positions at ABB				
Own and related-party holdings 2016	2,500 shares	1,500 shares	9,011 shares	_	3,000 shares	_	100 shares
Own and related-party holdings 2015	-	_	9,011 shares	-	3,000 shares	_	100 shares
Shares in related companies	_	_	_	_	_	_	_
Audit Committee attendance	_	_	Member 5 of 5	_	_	_	_
Finance Committee attendance	_	_	Member 1 of 2 ⁷⁾	_	_	_	_
Remuneration Committee attendance	Member 2 of 3 ⁴⁾	_	_	_	_	_	_
Board meeting attendance	Member 10 of 10	Member 7 of 10 ⁵⁾	Member 10 of 10	Employee representative 10 of 10	Employee representative 10 of 10	Employee representative 10 of 10	Deputy employee representative 10 of 10
Remuneration 2016 ¹⁾							
Board, SEK 000s	520	520	520	_	_	_	
Committee, SEK 000s	60	_	170	_	_	_	
Total 2016, seк 000s	580	520	690	-	-	-	
Remuneration 2015 ¹⁾							
Board, SEK 000s	475	-	475	-	-	-	
Committee, SEK 000s	-	-	150	-	-	-	
Total 2015, seк 000s	475	_	625	-	-	-	

Board assignments and holdings in Trelleborg as stated above reflect the situation as per December 31, 2016.

1) Remuneration paid to the Board of Directors for the period May 2016-April 2017. 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 the 2016 calendar year, remuneration was paid as per Note 4. No consulting fees were paid to Board members. Remuneration is not paid to executive Board members. Remuneration excludes travel allowances.

⁴⁾ Anne Mette Olesen succeeded Hans Biörck on the Remuneration Committee as of meeting number two.

 $^{^{\}rm 5)}\,$ Assumed the role of Board member as of meeting number four.

⁷⁾ Not present at meeting number one.











Name	Peter Nilsson	Ulf Berghult	Dario Porta	Mikael Fryklund	Fredrik Meuller
Position	President and CEO Other assignments: Board member of Trelleborg AB, Beijer Alma AB, Trioplast Industrier AB and the Chamber of Commerce and Industry of Southern Sweden	Chief Financial Officer (CFO)	Business Area President, Trelleborg Coated Systems	Business Area President, Trelleborg Industrial Solutions	Business Area President, Trelleborg Offshore & Construction
Qualifications	M.Sc. Eng.	Graduate in business administration	M.Sc. Eng.	M.Sc. Eng., B.Sc. in business administration	M.Sc. in finance
Born	1966	1962	1959	1963	1970
Nationality	Swedish	Swedish	Italian	Swedish	Swedish
Previous experience includes	Business Area President at Trelleborg and posts within the Trelleborg Group, as well as management consultant at BSI	CFO of Dometic Group, Thule Group, Rolls Royce Marine Systems and controller at the Trelleborg Group	Business Unit President at the Trelleborg Group and President of Reeves	Business Unit President at Trelleborg and other management positions at the Trelleborg Group and Bosch	VP Strategic Develop- ment & Group Projects Trelleborg and Business Unit President at the Trelleborg Group Various positions at McKinsey & Co and JP Morgan
Own and related-party holdings 2016	90,572 shares and 250,000 call options *	15,000 shares	1,000 shares	7,000 shares	500 shares
Own and related-party holdings 2015	90,572 shares	15,000 shares	1,000 shares	7,000 shares	500 shares
Shares in related companies	-	-	-	-	-
Employed	1995	2012	2006	2002	2002
In current position since	2005	2012	2012	2012	2012

^{*} In February 2016, the principal owner – The Henry Dunker Donation Fund and Foundations – offered the President and CEO 250,000 call options in Trelleborg, with a term of five years. Peter Nilsson purchased these call options at a price of SEK 15.20 per call option. Each call option entitles the holder to purchase one Series B share at a call price of SEK 143.16. The Black and Scholes method has been used in the valuation of call options. The principal owner's intention in introducing the program was to encourage the President and CEO's long-term commitment to the company. Trelleborg AB did not participate in the offer and will not have any expenses in connection with the offer.

REMUNERATION OF GROUP MANAGEMENT 2016

sek 000s		Fixed salary	Annual variable salary	Long-term incentive program ¹⁾	Other benefits	Total	Pension	Total including pension
President	2016	9,678 ²⁾	6,058	6,793 ³⁾	180	22,709	3,959 ³⁾	26,668
	2015	9,772	5,648	5,609	171	21,200	3,841	25,041
Group Management, others (10 persons)	2016	33,814	16,855	17,128	1,311	69,108	12,470	81,578
	2015	33,083	11,844	14,218	1,369	60,514	18,700	79,214
Total	2016	43,492	22,913	23,921	1,491	91,817	16,429	108,246
Total	2015	42,855	17,492	19,827	1,540	81,714	22,541	104,255

¹⁾ Expensed 2016. Payment to be made in first quarter 2017 to 2019 on condition that the executive has not terminated his/her employment in the Group as of December 31 in the previous year.

PRINCIPLES FOR REMUNERATION

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

- "> Trelleborg will offer market-based terms of employment that enable the company to recruit, develop and retain senior executives.
- The remuneration structure is to 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 will 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 covering all managers and senior salaried employees. In 2016, total remuneration of Group Management amounted to SEK 91,817,000 (81,714,000), excluding pension premiums, and SEK 108,246,000 (104,255,000), including pension premiums.

For additional information concerning remuneration, refer to Note 11, pages 97-98.

²⁾ Of this amount, fixed salary represented SEK 9,703,000, with the remainder mainly consisting of a change in vacation pay liability.

³ The sum expensed for the President in 2016 includes an accounting effect due to the allocation of amounts to certain periods. However, the maximum amount is within the specified framework.











Name	Claus Barsøe	Maurizio Vischi	Paolo Astarita	Charlotta Grähs	Patrik Romberg
Position	Business Area President, Trelleborg Sealing Solutions	Business Area President, Trelleborg Wheel Systems	Senior Vice President, Human Resources	Senior Vice President, General Counsel and Secretary	Senior Vice President, Corporate Communications
Qualifications	Graduate in business administration	MBA	Graduate in law	Master of Law	MBA and university studies in behavioral science and education
Born	1949	1955	1959	1971	1966
Nationality	Danish	Italian	Italian	Swedish	Swedish
Previous experience includes	Market Director of Alfa Laval, various positions at Busak+Shamban and Polymer Sealing Solutions	Various management positions at Pirelli	Vice President Human Resources Trelleborg Wheel Systems and various positions in HR at Pirelli and Manuli Rubber	Group General Counsel at Dometic Group and Senior Corporate Counsel at Husqvarna Group, lawyer at Mannheimer Swartling Advokatbyrå and Hengeler Mueller Rechtsanwälte	Various positions at the Trelleborg Group and Unilever
Own and related-party holdings 2016	3,500 shares	-	2,440 shares	-	901 shares
Own and related-party holdings 2015	3,500 shares	-	2,340 shares	-	901 shares
Shares in related companies	_	_	-	-	_
Employed	2003	1999	2001	2014	2006
In current position since	2003	2001	2015	2014	2011

Claes Jörwall, Senior Vice President, Mergers & Acquisitions, retired at the end of 2016. No successor will be appointed to Group Management.



COMMENTS ON THE CONSOLIDATED INCOME STATEMENTS

The Trelleborg Group's net sales increased during the year. The change during the year was the result of an underlying decline in organic sales in parallel with a sharply positive impact from acquired operations. The market trend was particularly challenging in the agriculture and oil & gas segments. Net sales and EBIT reached the highest levels to date on a full-year basis. Work aimed at focusing the operations and increasing presence in attractive market segments is continuing, primarily on the basis of organic initiatives, but the contribution from acquired operations was also significant during 2016. The acquisition of CGS Holding, an industrial group with leading positions in agricultural, industrial and specialty tires as well as engineered polymer solutions, will further strengthen Trelleborg's position in selected segments. In addition to CGS, six other acquisitions were completed in 2016. The Group's participation in the Vibracoustic joint venture was divested during the year.

The Group's sales increased 9 percent during the year to in the oil & gas segment. The effects of structural changes were Holding accounting for the largest sales increase. If sales for 2015 were translated to the exchange rates prevailing in 2016, the exchange rate effect would be a negative 1 percent, or about the Trelleborg Sealing Solutions and Trelleborg Wheel Systems business areas. However, organic sales growth for the Trelleborg Coated Systems, Trelleborg Industrial Solutions and Trelleborg

or general and capital-intensive industry – as well as light vehicles, was partly influenced by acquisitions during the year. The share of Group sales, following full impact from acquisitions, (51), the share linked to general industry declined to 36 percent (38) while the share of sales to the light vehicles segment fluctuating market conditions also influenced the distribution between market segments. Sales within capital-intensive industry related to oil & gas were heavily impacted by the lower

For Trelleborg Coated Systems, organic sales declined by 2 percent compared with the preceding year. Sales of coated fabrics declined during the year. Asia, however, contributed a positive organic performance although this was not able to fully offset lower sales in Europe and North America. Organic sales of printing blankets were unchanged during the year as a result

operations in several of the Group's market segments. Organic preceding year. Most geographic markets reported negative was marked by healthy deliveries to principally the automotive industry. Structural growth contributed 4 percent in total.

Organic sales in the Trelleborg Offshore & Construction business area declined by 23 percent compared with the

preceding year, primarily influenced by the challenging market situation in oil & gas. The market price for oil remained at a low level throughout the year, which yielded a markedly lower order book for project transactions.

For the Trelleborg Sealing Solutions business area, organic

sales increased by 1 percent compared with the preceding year. Europe reported an unchanged organic trend, where a decline in general industry was offset by higher sales to the automotive and aerospace industries. North America reported negative organic sales resulting from a downturn in several sectors. Positive organic growth in Asia was mainly driven by healthy general industry to a lesser extent.

where agriculture-related sales increased slightly. The organic sales trend for tires for materials handling vehicles and construction vehicles was slightly negative. The structural growth of

part of the Group, posted stable sales, although these were impacted by a seasonally weaker final quarter. Capacity utilizamanufacturing capacity for selected niche products are ongoing and will gradually enable increased growth. Work to integrate Rubena and Savatech in the Trelleborg Industrial Solutions according to plan. Preparations are under way ahead of a

Sales reported under Group items largely relate to the Group's joint compound mixing units.

Net sales per market

declined overall for the Group by 1 percent. Organic sales in relatively large differences between the various countries. The organic sales trend in Trelleborg's key markets of Germany, France, the U.K. and Sweden was negative, although development 6 percent in total. Sales in the U.S. declined by 7 percent,

Page 83 cont.

Net sales by business area

SEK M	2016	2015	Organic sales, %	Structural changes, %	Exchange rate fluctuations, %	Total change, %
Trelleborg Coated Systems	2,526	2,559	-2	_	1	-1
Trelleborg Industrial Solutions	5,193	5,117				
Trelleborg Offshore & Construction	3,467	4,331	-23			-20
Trelleborg Sealing Solutions	8,559	8,302				
Trelleborg Wheel Systems	6,354	4,315		47		47
Rubena Savatech	1,063					
Group items	339	505				
Eliminations	-356	-326				
Total	27,145	24,803	-5	15	-1	9



Consolidated income statements

Consolidated income statements			
SEK M	Note	2016	2015
Net sales	2	27,145	24,803
Cost of goods sold		-18,079	-16,522
Gross profit		9,066	8,281
Selling expenses		-2,302	-2,044
Administrative expenses		-2,955	-2,731
Research & development costs		-433	-383
Other operating income	6	589	429
Other operating expenses	6	-478	-335
Share of profit or loss in associated companies	13	9	2
EBIT, excluding items affecting comparability		3,496	3,219
Items affecting comparability	5	-391	-257
EBIT	4, 7, 11	3,105	2,962
Financial income	8	68	36
Financial expenses	8	-277	-189
Profit before tax		2,896	2,809
Income tax	10	-680	-713
Net profit for continuing operations		2,216	2,096
Net profit for discontinuing operations 1)	9	4,369	509
Net profit		6,585	2,605
- shareholders of the Parent Company		6,585	2,603
- non-controlling interests		_	2
1) Pertains to Vibracoustic			
Earnings per share ²⁾ , sek		2016	2015
Continuing operations		8.18	7.73
Discontinuing operations		16.12	1.87
Group, total		24.30	9.60
Continuing operations, excluding items affecting comparability 3)		9.23	8.39
No. of shares			
On the balance sheet date		271,071,783	271,071,783
Average		271,071,783	271,071,783
Dividend 4)		4.25	4.00
²⁾ No dilution effects arose			
3) Net earnings have been adjusted for items affecting comparability, SEK I	И	-287	-181
⁴⁾ As proposed by the Board of Directors and the President			
Statements of comprehensive income			
SER M		2016	2015
Net profit		6,585	2,605
not profit		0,000	2,000
Other comprehensive income			
Items that will not be reclassified to the income statement			
Reassessment of net pension obligation		-61	3
Income tax relating to components of other comprehensive income		15	-1
mounte tax relating to components of other comprehensive income		-46	2
Items that may be reclassified to the income statement			
Cash-flow hedges		165	-175
Hedging of net investment		-502	-32
Translation differences		1,552	-471
Income tax relating to components of other comprehensive income		99	20
Other comprehensive income attributable to discontinuing operations		-254	-66
,		1,060	-724
Other comprehensive income, net of tax		1,014	-722
Total comprehensive income		7,599	1,883
<u> </u>		,	, ::
Total comprehensive income attributable to:			
Shareholders of the Parent Company		7,599	1,882

Non-controlling interests

while sales in the Canadian market increased. Sales in Brazil were unchanged during the year, while the performance in Mexico was positive, up 9 percent. The total increase for South and Central America was 8 percent. In Asia and other markets, organic sales increased by about 11 percent compared with 2015. Development in China was particularly positive, with organic sales growth of 24 percent reported.

For the Group as a whole, Western Europe accounted for 47 percent (48) of consolidated sales. In the Rest of Europe, the share was 9 percent (6). The share in North America was 23 percent (24). South and Central America accounted for 4 percent (4), while the combined share for the markets in Asia and the Rest of the world was 17 percent (18).

Net sales per geographic market

	2016		2015	
SEK M	Net sales	Share of total sales, %	Net sales	Share of total sales, %
Western Europe	12,714	47	11,792	48
Rest of Europe	2,571	9	1,414	6
North America	6,212	23	5,916	24
South and Central America	1,039	4	1,096	4
Asia and Rest of the world	4,609	17	4,585	18
Total	27,145	100	24,803	100

Organic growth 2016

	Organic growth 2016, %	Excluding project deliveries 1), %
Western Europe	-5	-2
Rest of Europe	7	6
North America	-7	-7
South and Central America	-13	8
Asia and Rest of the world	-3	11
Continuing operations	-5	-1

¹⁾ Project deliveries refer to all of Trelleborg Offshore & Construction and Trelleborg Industrial Solutions' marine hose operations for oil & gas applications.

EBITA and EBIT, continuing operations

Consolidated EBITA, excluding items affecting comparability, amounted to SEK 3,700 M (3,325), up 11 percent. EBITA margin was 13.6 percent (13.4). Amortization of intangible assets increased during the year and amounted to an expense of SEK 203 M (expense: 107), impacted by acquisitions during the year.

Consolidated EBIT, excluding items affecting comparability, amounted to SEK 3,496 M (3,219), up 9 percent. Exchange rate effects from the translation of foreign subsidiaries' earnings for 2015 to 2016 exchange rates were a negative SEK 44 M. The improved earnings were largely a consequence of contributions from the acquired units, although continued high efficiency, cost control and strong market positions also had a positive impact. Work aimed at improving processes and implementing operational efficiency enhancements continued during the year, primarily through clearly defined and systematic Excellence programs in manufacturing, purchasing, capital management and sales. Both implemented and ongoing action programs continued to generate positive effects in the form of more efficient structures and lower costs. EBIT margin amounted to 12.9 percent (13.0).

EBIT

SEK M	2016	2015
Trelleborg Coated Systems	323	317
Trelleborg Industrial Solutions	541	560
Trelleborg Offshore & Construction	108	199
Trelleborg Sealing Solutions	1,903	1,885
Trelleborg Wheel Systems	720	468
Rubena Savatech	112	-
Group items	-211	-210
Total	3,496	3,219

EBIT and EBIT margin for the Trelleborg Coated Systems business area rose slightly compared with the preceding year, mainly due to previously implemented restructuring programs, streamlining of production and effective cost control. Measures to further improve profitability are continuing according to plan. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 5 M on EBIT compared with 2015. EBIT margin rose to 12.8 percent (12.4).

Within Trelleborg Industrial Solutions, EBIT and EBIT margin declined compared with 2015, due primarily to lower project deliveries. Low levels of activity in the oil & gas segment had a negative impact on earnings.

Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 10 M on EBIT compared with 2015. EBIT margin declined to 10.4 percent (10.9).

For the Trelleborg Offshore & Construction business area, EBIT and EBIT margin declined compared with the preceding year, mainly as a result of lower project deliveries in oil & gas but also due to lower sales in certain niches in infrastructure. Work to adapt the organization to lower market activity continued during the year and will continue in 2017. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of $\rm SKR~17~M~on~EBIT~compared~with~2015.~EBIT~margin~declined~to~3.1~percent~(4.6).$

EBIT within Trelleborg Sealing Solutions rose primarily as a result of acquisitions and effective cost control. However, earnings were charged with unfavorable exchange rate movements and costs attributable to the integration of implemented acquisitions. The EBIT margin was maintained at a high level throughout the year, amounting to 22.2 percent (22.7). Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 14 M on EBIT compared with 2015.

EBIT within Trelleborg Wheel Systems rose sharply, mainly due to implemented acquisitions. EBIT margin increased to 11.3 percent (10.8) due to effective cost control, successful positioning in the market and an improved sales mix. Earnings were charged with integration costs related to implemented acquisitions and start-up costs for the U.S. agricultural tire production site. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 19 M on EBIT compared with 2015.

EBIT and EBIT margin for Rubena Savatech were charged with costs associated with preparations aimed at integrating Rubena and Savatech into the Trelleborg Industrial Solutions and Trelleborg Coated Systems business areas. This work is proceeding according to schedule ahead of a planned consolidation in 2017. EBIT margin amounted to 10.5 percent.

Items affecting comparability

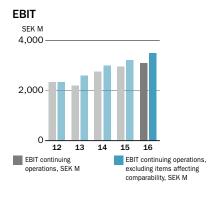
The recognition of items affecting comparability amounting to an expense of $_{\rm SEK}$ 391 $_{\rm M}$ (expense: 257) mainly includes the continued restructuring work in the Group. The largest projects during the year concerned the consolidation of the business in the U.S. within the Trelleborg Coated Systems business area and an adaptation to the lower market activity in the oil & gas segment in the Trelleborg Offshore & Construction business area.

Earnings, continuing operations

EBIT for continuing operations including items affecting comparability amounted to sek 3,105 M (2,962), up 5 percent. The Group's financial income and expenses amounted to a net expense of sek 209 M (expense: 153), corresponding to a rate of interest of 2.0 percent (2.0). Profit before tax totaled sek 2,896 M (2,809). The tax cost for the year totaled sek 680 M (cost: 713). The tax rate was 23 percent (25). Earnings per share for continuing operations were sek 8.18 (7.73), an increase by 6 percent.

Discontinuing operations - Vibracoustic

During summer 2016, Trelleborg sold all of its shares in Vibracoustic to Freudenberg. The TrelleborgVibracoustic joint venture was formed in July 2012 between Trelleborg's former business area Trelleborg Automotive and Freudenberg's corresponding operations in antivibration solutions, Vibracoustic. The company has been owned in equal shares by the parties and was renamed in April 2016 to Vibracoustic. The purchase consideration for shares in Vibracoustic amounted to approximately SEK 6.9 billion. Trelleborg received a payment of about SEK 6.2 M in early July 2016. The remaining approximately Eur 75 m, or about SEK $685\,\mathrm{M}$ of the sales price is conditional upon Vibracoustic's realized sales performance in 2016 and 2017 and is reported during 2016 as a receivable from Freudenberg. A part payment of the receivable will be made at the beginning of the second quarter of 2017. Net profit for discontinuing operations amounted to SEK 4,369 м. This figure includes a capital gain of SEK 4,070 м and a reversal of translation differences of SEK 299 M. The net effect on equity amounts to sek 4.070 m.



As a result of the transaction, Trelleborg can conclude a successful journey for the former business area, which the year before the formation of Vibracoustic had sales of approximately SEK 7.1 billion with a margin of about 3.5 percent, compared with the joint venture's sales in 2015 of approximately SEK 18 billion, generating a margin of 9.5 percent.

Earnings, Group

Profit after tax totaled sex 6,585 m (2,605). Earnings per share were sex 24.30 (9.60).

Events after the closing date

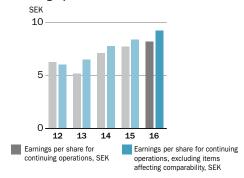
The Trelleborg Sealing Solutions business area signed an agreement and finalized the acquisition of the privately-owned U.S.-based company Carolina Seal Inc in January 2017. The company is specialized in the distribution of polymer seals, such as O-Rings, hydraulic seals and specialty kitting, with sales of approximately $_{\rm SEK}$ 50 $_{\rm M}$.

The Board has decided to make a major investment in Trelleborg Wheel Systems tire operation in Serbia, to improve the footprint and increase production capacity to accommodate additional future sales.

Market outlook for the first quarter of 2017

Demand is expected to be slightly improved compared with the fourth quarter of 2016, adjusted for seasonal variations.

Earnings per share



Key figures per quarter

Net sales

	Jan-	-Mar	Арі	r–Jun		lul-Sep	Oct-Dec		
SEK M	2016	2015	2016	2015	20:	.6 2015	2016	2015	
Trelleborg Coated Systems	631	683	628	672	59	6 602	671	602	
Trelleborg Industrial Solutions	1,283	1,340	1,321	1,358	1,19	9 1,215	1,390	1,204	
Trelleborg Offshore & Construction	902	989	835	1,174	83	7 1,019	893	1,149	
Trelleborg Sealing Solutions	2,127	2,204	2,120	2,129	2,14	8 2,060	2,164	1,909	
Trelleborg Wheel Systems	1,144	1,122	1,472	1,136	1,85	5 1,037	1,883	1,020	
Rubena Savatech	_	-	166	-	45	0 –	447	-	
Group items	107	127	98	149	ī	3 118	61	111	
Eliminations	-99	-95	-96	-87	-8	6 –76	-75	-68	
Total	6,095	6,370	6,544	6,531	7,07	2 5,975	7,434	5,927	

EBIT, excluding items affecting comparability

	Jan-N	/lar	Apr	–Jun	Jul-Sep			Oct-	Dec
SEK M	2016	2015	2016	2015	2016	2015		2016	2015
Trelleborg Coated Systems	76	90	86	87	74	66		87	74
Trelleborg Industrial Solutions	123	141	149	154	114	124		155	141
Trelleborg Offshore & Construction	23	8	26	68	42	46		17	77
Trelleborg Sealing Solutions	496	525	506	496	467	463		434	401
Trelleborg Wheel Systems	156	116	186	125	204	132		174	95
Rubena Savatech	_	_	26	-	55	_		31	_
Group items	-33	-47	-80	-47	-41	-33		-57	-83
Total	841	833	899	883	915	798		841	705

COMMENTS ON THE CONSOLIDATED BALANCE SHEETS

Capital employed

The Group's total capital employed rose to SEK 37,588 M (24,937), representing an increase of SEK 12,651 M attributable to:

Opening balance, capital employed, seк м	24,937
Company acquisitions	13,916
Change in working capital	-30
Net change in non-current assets	-86
Change in participations in joint ventures/associated companies	-2,609
Exchange rate effects upon translation of foreign subsidiaries	1,460
Change in capital employed, 2016	12,651
Closing balance, capital employed, SEK M	37,588

During the year, acquired operations accounted for an increase in capital employed of SEK 13,916 M, of which SEK 10,168 M pertained to goodwill and other intangible assets. For a summary of acquisitions for the year, see the table on page 31 and Note 15.

The total impact from changes in working capital was marginal and amounted to a negative sex 30 $\mbox{\scriptsize M}.$

Non-current assets, excluding the effect of acquired units, declined by a net SEK 86 M. Gross capital expenditure amounted to SEK 1,148 M (1,314). Investments for the year are distributed as follows: SEK 1,074 M in property, plant and equipment and SEK 74 M in intangible assets. Depreciation and amortization during the year amounted to SEK 1,071 M (833). Impairment losses for the Group, net after reversals, totaled SEK 123 M (30).

Participations in joint ventures/associated companies declined by SEK 2,609 M, predominantly due to the divestment of Vibracoustic.

Exchange rate effects increased capital employed by $\mbox{\footnotesize SEK}\ 1,\!460\ \mbox{\footnotesize M}$ during the year.

Specification of capital employed

SEK M	2016	2015
Total assets	48,354	34,390
Less:		
Interest-bearing receivables 1)	1,137	564
Cash and cash equivalents	1,879	2,552
Tax assets	1,570	1,325
Operating liabilities	6,180	5,012
Capital employed, Group	37,588	24,937
of which discontinuing operations	-82	2,683
Capital employed, continuing operations	37,670	22,254

 $^{^{1)}}$ Including receivable linked to divestment of Vibracoustic.

Return on capital employed for continuing operations, excluding items affecting comparability, was 11.3 percent (14.3), impacted by acquisitions during the year.

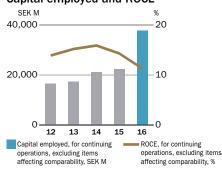
Return on capital employed (ROCE), %

	2016	2015
Excluding items affecting comparability	11.3	14.3
Including items affecting comparability	10.0	13.2

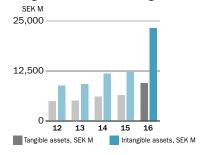
Capital structure



Capital employed and ROCE



Tangible assets and Intangible assets



Consolidated balance sheets

December 31, SEK M	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	16	9,435	6,446
Goodwill	17	18,185	10,910
Other intangible assets	17	5,018	1,317
Participations in joint ventures/associated companies	13	87	2,696
Financial non-current assets	25, 29	408	225
Deferred tax assets	10	794	706
Total non-current assets		33,927	22,300
Current assets			
Inventories	18	5,060	3,758
Current operating receivables	19, 20	5,934	4,768
Current tax assets		776	619
Interest-bearing receivables	26	778	393
Cash and cash equivalents	24	1,879	2,552
Total current assets		14,427	12,090
TOTAL ASSETS		48,354	34,390
Equity Share capital	27	2,620	2,620
Other capital contributions		226	226
Other reserves		887	-427
Profit brought forward		14,819	13,600
Net profit for the year		6,585	2,603
Total		25,137	18,622
Non-controlling interests		-	(
Total equity		25,137	18,622
Non-current liabilities	••	0.050	= 000
Interest-bearing non-current liabilities	28	9,852	5,302
Other non-current liabilities	22	141	138
Pension obligations	12	681	596
Other provisions	23	221	121
Deferred tax liabilities	10	789	358
Total non-current liabilities		11,684	6,515
Current liabilities	20	F 000	4.077
Interest-bearing current liabilities	28	5,282	4,077
Current tax liabilities	24.22	920	649
Other current liabilities	21, 22	4,997	4,256
Other provisions	23	334	271
Total current liabilities FOTAL EQUITY AND LIABILITIES		11,533 48,354	9,253 34,390

Trelleborg Group, change in total equity

Equity									Non-co	Non-controlling			
			Attributable	to sharehold	ers of the Pa	arent Compar	ıy		inter	ests	Tot	al	
		Other capital											
	Share	capital	contril	outions	Other	reserves	Profit bro	ught forward					
SEK M	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	
Opening balance, January 1	2,620	2,620	226	226	-427	231	16,203	14,690	-	9	18,622	17,776	
Total comprehensive income					1,314	-658	6,285	2,540	-	1	7,599	1,883	
Dividend							-1,084	-1,017	-	-	-1,084	-1,017	
Acquisitions							0	-10	-	-10	-	-20	
Closing balance, December 31	2,620	2,620	226	226	887	-427	21,404	16,203	-	0	25,137	18,622	

For other reserves, refer to Note 27. The Board of Directors and President propose a dividend of SEK 4.25 (4.00) per share, totaling SEK 1,152 M (1,084).

Net debt

SEK M	2016	2015
Non-current interest-bearing investments and receivables	352	152
Current interest-bearing receivables	778	393
Cash and cash equivalents	1,879	2,552
Total interest-bearing assets	3,009	3,097
Interest-bearing non-current liabilities	-9,852	-5,302
Interest-bearing current liabilities	-5,282	-4,077
Total interest-bearing liabilities	-15,134	-9,379
Net debt	-12,125	-6,282
Change in net debt:		
Net debt at January 1	-6,282	-7,195
Net cash flow for the year	-5,931	1,144
Receivables linked to divestment of Vibracoustic	685	-
Exchange rate differences	-597	-231
Net debt at year-end	-12,125	-6,282

	2016	2015
Group		
Debt/equity ratio, %	48	34
Net debt/EBITDA, multiples	1.4	1.4
EBITDA/net interest income, multiples	40.1	28.9
Continuing operations, including items affecting comparability		
Net debt/EBITDA, multiples	2.9	1.6
EBITDA/net interest income, multiples	19.7	25.5

Net debt and financing

Net debt at year-end amounted to SEK 12,125 M (6,282), up SEK 5,843 M, significantly affected by the year's acquisitions and negative exchange rate differences.

The proceeds from the divestment of Vibracoustic, amounting to $_{\rm SEK}$ 6,165 M, were received earlier during the year and are recognized in net cash flow. In addition, net debt is impacted by a receivable of $_{\rm SEK}$ 685 M, which is linked to Vibracoustic's realized sales development in 2016 and 2017. A part payment of the receivable will be made at the beginning of the second quarter of 2017.

The equity/assets ratio was 48 percent (34) at the end of the period. Net debt in relation to EBITDA for continuing operations, including items affecting comparability, was 2.9 (1.6). For the Group as a whole, the ratio was 1.4 (1.4), which includes the capital gain from the divestment of Vibracoustic. A pro forma calculation, which includes R12M EBITDA for continuing operations and acquisitions during the latest 12-month period, gives an underlying net debt/EBITDA of approximately 2.5. The EBITDA/net interest income ratio for continuing operations including items affecting comparability was 19.7 (25.5) at year-end.

Trelleborg's credit facilities

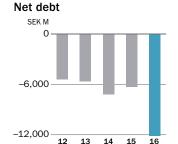
The major portion of Trelleborg's core EUR 750 M and USD 625 M syndicated multicurrency revolving credit facility matures in December 2020. Over the years, the Group has worked actively toward broadening the maturity structure of its debt as well as its debt investor base. During 2016, Trelleborg extended its debt maturity profile through a number of Medium Term Note and Schuldschein issues. In May 2016, Trelleborg issued two Medium Term Notes: SEK 200 M with a six-year tenor and SEK 300 M with a seven-year tenor. This was followed in August 2016 by the issue of five Schuldscheins in a total of EUR 205 M with tenors ranging between five and ten years. An EUR 50 M Medium Term Note with a five-year tenor issued in October 2016 concluded the Group's successful debt capital markets issuance activity for 2016.

Equity

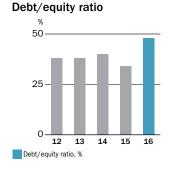
Total shareholders' equity increased during the year by SEK 6,515 M to SEK 25,137 M (18,622).

Profit for the year contributed SEK 6,585 M (2,605) to equity. Effects of translation differences, cash-flow hedging and the hedging of net investments increased total equity by a net amount of SEK 1,314 M (decrease: 658) after tax. Effects of the restatement of the net pension obligation under IAS 19 Employee Benefits amounted to an expense of SEK 46 M after tax (income: 2). Other comprehensive income attributable to discontinuing operations amounted to a negative SEK 254 M (neg: 66). Total dividends amounted to SEK 1,084 M (1,017).

The equity/assets ratio was 52 percent (54). At the end of the year, equity per share (271.1 million shares) totaled sex 93 (69). Return on equity for continuing operations including items affecting comparability amounted to 10.1 percent (11.5). The total return on shareholders' equity for the Group was 30.1 percent (14.3), impacted by the capital gain from the divestment of Vibracoustic.



Net debt, SEK M





COMMENTS ON THE CONSOLIDATED CASH-FLOW STATEMENTS

Consolidated operating cash flow was sex 3,460 m (2,282). Operations cash conversion ratio was 99 percent (71) for the year. The earnings improvement compared with the preceding year, in part from acquired units, had a positive impact on cash flow. The rate of investment decreased 13 percent compared with 2015 and amounted to sex 1,148 m (1,314), comprising 4.2 percent (5.3) of sales. The change in working capital amounted to a positive sex 9 m (neg: 513), primarily driven by the positive trend during the year's final quarter. During the year, there was an increase in payments related to items affecting comparability that amounted to negative sex 326 m (neg: 192), a consequence of higher activity during 2016 compared with one year earlier. After deduction of payments pertaining to financial items and taxes paid, free cash flow amounted to sex 2,368 m (1,452), corresponding to sex 8.74 per share (5.36).

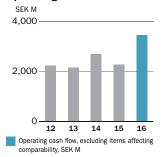
The year was marked by a number of acquisitions, refer to page 31. The largest, the acquisition of CGS Holding, was concluded in May. Six other acquisitions were also completed. Total acquisitions amounted to SEK 13,380 M (681).

During summer 2016, Trelleborg divested its participations in Vibracoustic to Freudenberg and received a payment of approximately SEK 6.2 billion. In addition, there is a receivable from Fruedenberg of EUR 75 M, or about SEK 685 M, which is linked to Vibracoustic's realized sales development in 2016 and 2017. A part payment of the receivable will be made at the beginning of the second quarter of 2017.

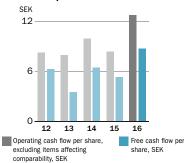
The dividend for the year to shareholders of the Parent Company amounted to Sek 1,084 M (1,017).

Net cash flow amounted to a negative SEK 5,931 M (pos: 1,144).

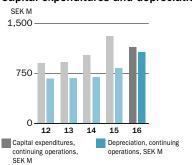
Operating cash flow



Cash flow per share



Capital expenditures and depreciation



Cash-flow report

	EBIT	DA	Gross c	•	Sold non-		Chang working o		Dividend fr ventures/as compa	sociated	Othe non-ca item	ash	Total cas	sh flow
SEK M	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Trelleborg Coated Systems	416	410	-69	-73	4	0	-71	25	-	-	10	14	290	376
Trelleborg Industrial Solutions	744	755	-180	-222	1	7	-27	57	-	-	21	16	559	613
Trelleborg Offshore & Construction	211	302	-207	-240	8	1	57	-246	-	-	14	17	83	-166
Trelleborg Sealing Solutions	2,191	2,146	-310	-320	3	10	-14	-98	2	1	31	24	1,903	1,763
Trelleborg Wheel Systems	1,004	609	-302	-425	10	5	50	-156	-	-	18	15	780	48
Rubena Savatech	177	-	-38	-	1	-	-1	-	-	-	-6	-	133	-
Group items	-178	-169	-42	-34	10	36	15	-95	-	-	-93	-90	-288	-352
Operating cash flow	4,565	4,053	-1,148	-1,314	37	59	9	-513	2	1	-5	-4	3,460	2,282
Cash-flow effect of items affecting comp	parability												-326	-192
Financial items													-173	-166
Tax paid													-593	-472
Free cash flow													2,368	1,452
Acquisitions													-13,380	-681
Discontinuing operations													6,165	1,390
Dividend – shareholders of the Parent Company										-1,084	-1,017			
Total net cash flow													-5,931	1,144

Consolidated cash-flow statements

SEK M	Note	2016	2015
Operating activities			
EBIT including participations in joint ventures/associated companies		3,105	2,962
Adjustment for items not included in cash flow:			
Depreciation of property, plant and equipment	16	868	726
Amortization of intangible assets	17	203	107
Impairment of property, plant and equipment	16	54	21
Impairment of intangible assets	17	_	9
Dividend from joint ventures/associated companies		2	1
Participations in joint ventures/associated companies and other non-cash items		-5	-4
Cash-flow effect of items affecting comparability		4	4
Interest received and other financial items		40	35
Interest paid and other financial items		-213	-201
Tax paid		-593	-472
Cash flow from operating activities before changes in working capital		3,465	3,188
Cash flow from changes in working capital			
Change in inventories		-5	-17
Change in operating receivables		1,047	7
Change in operating liabilities		-1,033	-503
Change in items affecting comparability		5	32
Cash flow from operating activities		3,479	2,707
Investing activities			
Acquired units	15	-13,380	-681
Discontinuing operations		6,165	1,390
Gross capital expenditures for property, plant and equipment	16	-1,074	-1,241
Gross capital expenditures for intangible assets	17	-74	-73
Sale of non-current assets		37	59
Cash flow from investing activities		-8,326	-546
Financing activities			
Change in interest-bearing investments		-323	-402
Change in interest-bearing liabilities		-298	21
New/utilized loans		6,126	2,742
Amortized loans		-371	-2,079
Dividend – shareholders of the Parent Company		-1,084	-1,017
Cash flow from financing activities		4,050	-735
Cash flow for the year		-797	1,426
Cash and cash equivalents			
Opening balance, January 1		2,552	1,141
Exchange rate differences		124	-15
Cash and cash equivalents, December 31		1,879	2,552

Notes - Group

1 General accounting policies

The Parent Company, Trelleborg AB (publ) is a limited liability company with its registered office in Trelleborg, Sweden. The Parent Company is listed on Nasdaq Stockholm. The Board of Directors resolved to adopt these consolidated financial statements for publication on February 17, 2017.

Basis of preparation

The Trelleborg Group's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Corporate Groups 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 that were measured at fair value.

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 arising between the Parent Company and the Group's accounting policies are attributable to limitations on the ability to apply IFRS in the Parent Company, primarily as a result of the Swedish Annual Accounts Act.

Amendments to IAS 1 Presentation of Financial Statements are being made within the framework of the IASB's Disclosure Initiative, a project aimed at improving disclosures in financial statements. The amendments clarify a number of issues, including materiality, separate disclosure and subtotals, and the order of notes. For Trelleborg, this has involved a rearrangement of the note structure, with certain applicable accounting policies now presented under the respective notes. In addition, general accounting policies were applied that are presented below.

These policies were applied consistently for all years presented, unless otherwise stated.

Consolidated financial statements

The consolidated financial statements include the Parent Company and all subsidiaries and joint ventures/associated companies. Intra-Group transactions, balance-sheet items and income and costs for intra-Group transactions are eliminated. Gains and losses resulting from intra-Group transactions and which are recognized in assets are also eliminated.

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), which is the Parent Company's functional currency and presentation currency, is utilized in the consolidated financial statements.

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 at the closing rate of monetary assets and liabilities in foreign currency are recognized in profit and loss. An exception is made when hedging transactions meet the requirements for cash-flow hedging or net-investments hedging whereby gains and losses are recognized directly against other comprehensive income after adjustment for deferred taxes. Reversal to profit and loss takes place at the same time as the hedged transaction impacts profit and loss.

Subsidiaries

The earnings and financial position of the Group subsidiaries, joint ventures and associated companies (none of which use a high-inflation currency) are prepared in the functional currency of each company. In the consolidated financial statements, 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 and liabilities in the balance sheets are translated at the closing rate. Exchange rate differences arising from translation are recognized as a separate item in other comprehensive income.

Translation differences arising on financial instruments, which are held for hedging of net assets in foreign subsidiaries, are also entered as a separate item in other comprehensive income. On divestment, the accumulated translation differences attributable to the divested unit, previously recognized in other comprehensive income, are realized in the

consolidated income statement in the same period as the gain or loss on the divestment.

Goodwill and adjustments of 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.

Cash-flow statements

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

Other accounting and valuation policies

Non-current assets and non-current liabilities comprise amounts expected to be recovered or paid more than 12 months from the closing date. Current assets and current liabilities comprise amounts expected to be recovered or paid within 12 months of the closing date. Assets and liabilities are measured at cost, unless otherwise indicated.

New and amended standards applied by the Group

Standards, amendments and interpretations that come into effect for fiscal years beginning on or after January 1, 2016 are deemed to have no material impact on the consolidated financial statements.

New standards and interpretations that have not yet been applied by the Group

A number of new standards, amendments and interpretations of existing standards that apply to the fiscal year commencing after January 1, 2016 were not applied by the Group in the preparation of these consolidated financial statements. However, none of these standards, amendments or interpretations of existing standards are expected to have any material effect on the Group apart from those presented below.

IFRS 9 Financial Instruments IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that address classification and measurement of financial instruments. While IFRS 9 retains a mixed-measurement model, it simplifies this method in some regards. There will be three measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The manner in which an instrument will be classified depends on the company's business model and the instrument's characteristics. Investments in equity instruments are to be recognized at fair value through profit and loss, but there is also the possibility upon initial recognition to recognize the instrument at fair value through other comprehensive income. The instrument will not subsequently be reclassified to profit and loss upon divestment. IFRS 9 also introduces a new model for calculating the credit loss reserve that is based on expected credit losses. The classification and measurement of financial liabilities have not been changed except for when a liability is measured at fair value through profit and loss on the basis of the fair value alternative. In such a case, changes in value attributable to changes in credit risk are to be recognized in other comprehensive income. IFRS 9 reduces the requirements for application of hedge accounting by replacing the 80-125 criteria with requirements for the establishment of a financial relationship between the hedging instrument and the hedged item and by stipulating that the hedging ratio should be the same as the figure applied in connection with risk management. Changes were also made to hedging documentation compared with the requirements in IAS 39. The standard is to apply to fiscal years beginning on or after January 1, 2018. Prospective application is permitted. Work is under way in the Group to assess the effects of implementing the standard.

IFRS 15 Revenue from Contracts with Customers IFRS 15 regulates the manner in which revenue is recognized. The principles on which IFRS 15 is based aim to provide users of financial reports with more useful information on the company's revenues. The expanded disclosure obligation entails that information must be submitted concerning the category of revenue, settlement date, uncertainty linked to revenue recognition and cash flow attributable to the company's customer contracts. According to IFRS 15, revenue must be recognized when the customer gains control of the sold goods or services and has the opportunity to use or gain benefit from the goods or services. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the associated SIC and IFRIC guidance. IFRS 15 comes into effect on fiscal years beginning on or after January 1, 2018, when the Group is also expected to apply the standard. Work is under way in the Group to assess the effects of implementing IFRS 15. This work includes $\,$ taking an inventory of applicable agreements and contracts with a focus on, for example, specific delivery terms and conditions or other terms that may

impact future income recognition. These efforts will be intensified in 2017. For the subsidiaries that are expected to be impacted the most, parallel reporting will take place from the first quarter of 2017 in order to assess the effects of changed financial reporting in line with the new standard. At present, the Group cannot assess the quantitative impact on the financial statements of the new rules. The Group has not yet determined which transition method it will apply.

IFRS 16 Leases In January 2016, the IASB published a new standard for leases, which will replace IAS 17 Leases and the associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires, with a few exceptions, that assets and liabilities attributable to all leases be recognized in the balance sheet. This method of recognition is based on the approach that the lessee has a right to use an asset for a specific period of time and an obligation to pay for this right. In all material respects, the recognition for the lessor will remain unchanged. The standard is to apply to fiscal years beginning on or after January 1, 2019. At present, the Group does not intend to apply the standard prospectively. The EU has not yet adopted the standard. In 2017, analysis will commence to assess what impact the new standard will have, but the Group has not yet evaluated the extent to which these commitments will be recognized as assets and liabilities and how this will impact the Group's earnings and classification of cash flows.

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on the Group.

Critical accounting estimates and judgments

Company management and the Board of Directors make estimates and assumptions about the future. These estimates and assumptions impact 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 the 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. Estimates and assumptions that may have a significant effect on the Group's earnings and financial position are provided for each Note where appropriate.

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. 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 recognizes its pension obligations in accordance with the Pension Obligations Vesting Act. Adjustments in accordance with IFRS are made at the Group level.
- · Group contributions are recognized as appropriations.
- Shareholders' contributions to subsidiaries are added to the value of shares and participations in the balance sheet, after which impairment testing is conducted.
- Liabilities in foreign currencies that represent effective hedging instruments for the Parent Company's investments in subsidiaries were measured at the historical rate of exchange. Gains or losses on liabilities that are replaced are recognized as other assets or liabilities until such time as the net investment has been divested.

Sales and earnings

2 Segment reporting

Accounting policies

Operating segments

Operating segments are reported in a manner consistent with the internal reports presented to the chief operating decision maker. The chief operating decision maker is the function responsible for the allocation of resources and the assessment of the operating segments' earnings. For the Group, this function has been identified as the President. The division of operating segments corresponds to the Group's business

areas. The Group is divided into five business areas: Trelleborg Coated Systems, Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg Sealing Solutions and Trelleborg Wheel Systems. The business, acquired as part of CGS, Rubena and Savatech, will be recognized independently from Trelleborg's business areas during a transition period, before being gradually integrated into the current business areas. In addition, central staff functions and a Group-wide operation are included in Group items.

Critical estimates and judgments

Segment reporting for the business areas comprises operating EBIT and expenses and capital employed. Capital employed encompasses all property, plant and equipment, intangible assets and participations 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.

A description of the Group's operating segments is presented on pages 14-25.

Net sales and EBIT by operating segment

				2016			2015					
		Vet sales					N	et sales				
SEK M	External	Internal	Total	Profit/loss	Of which, items affecting comparability	Of which, profit/loss in associated companies	External	Internal	Total	Profit/loss	Of which, items affecting comparability	Of which, profit/loss in associated companies
Trelleborg Coated Systems	2,398	128	2,526	241	-82	-	2,432	127	2,559	197	-120	_
Trelleborg Industrial												
Solutions	5,138	55	5,193	509	-32	-	5,069	48	5,117	539	-21	-
Trelleborg Offshore &	0.450	0	0.407	74	470		4.004	_	4.004	100	0.4	
Construction	3,459	8	3,467	-71	-179	-	4,324	1	4,331	138	-61	_
Trelleborg Sealing Solutions	8,494	65	8,559	1,902	-1	2	8,242	60	8,302	1,850	-35	2
Trelleborg Wheel Systems	6,346	8	6,354	691	-29	0	4,315	0	4,315	456	-12	0
Rubena Savatech	998	65	1,063	112	-	7	-	-	-	-	-	-
Group items	312	27	339	-279	-68	_	421	84	505	-218	-8	-
Elimination of intercompany sales		-356	-356					-326	-326			
Total	27,145	0	27,145	3,105	-391	9	24,803	0	24,803	2,962	-257	2
Financial income				68						36		
Financial expenses				-277						-189		
Income tax				-680						-713		
Profit for the year,												
continuing operations				2,216						2,096		
Profit for the year, discontinuing operations				4,369						509		
Net profit				6,585						2,605		

Breakdown by operating segment

	2016				2015							
SEK M	Capital employed	Of which participations in associated companies	Capital expendi- tures ¹⁾		Impairment losses	Operating cash flow ²⁾	Capital employed	Of which participations in associated companies	Capital expendi- tures ¹⁾	Deprecia- tion/ amortization	Impairment losses	Operating cash flow 2)
Trelleborg Coated Systems	3,863	_	69	97	-5	290	3,617	_	73	94	16	376
Trelleborg Industrial Solutions	4,351	-	180	203	0	559	3,188	3	222	195	4	613
Trelleborg Offshore & Construction	3,132	_	207	102	52	83	3,029	_	240	103	_	-166
Trelleborg Sealing Solutions	10,249	7	310	289	0	1,903	7,945	6	320	261	3	1,763
Trelleborg Wheel Systems	13,058	3	302	284	1	780	4,198	2	425	141	5	48
Rubena Savatech	2,665	75	38	64	0	133	-	_	-	-	-	-
Group items	418	2	42	32	6	-288	371	2	34	39	2	-352
Provisions for items affecting comparability	-66						-94					
Continuing operations	37,670	87	1,148	1,071	54	3,460	22,254	13	1,314	833	30	2,282
Discontinuing operations	-82	_	-	-	69	-	2,683	2,683	-	_	_	_
Trelleborg Group	37,588	87	1,148	1,071	122	3,460	24,937	2,696	1,314	833	30	2,282

 $^{^{1)}}$ Relates to investments in tangible and intangible assets.

²⁾ Operating cash flow relates to the Group's operations excluding items affecting comparability and discontinuing operations.

In the presentation of the Group's geographical markets, the operations have been subdivided into Western Europe, Rest of Europe, North America, South and Central America, Asia and Rest of the World. Net sales are recognized according to customer location, while capital employed and capital expenditures are recognized according to where the subsidiaries are physically located.

Net sales

By geographic market/country

SEK M	2016	2015
Germany	3,471	2,895
France	1,710	1,582
U.K.	1,575	1,872
Italy	1,242	1,016
Sweden	1,093	1,130
Netherlands	640	566
Spain	609	562
Norway	490	599
Belgium	416	335
Switzerland	375	288
Finland	275	249
Denmark	271	311
Other Western Europe	547	387
Total Western Europe	12,714	11,792
Czech Republic	620	263
Poland	498	315
Turkey	328	290
Russia	283	100
Romania	186	139
Rest of Europe	656	307
Total rest of Europe	2,571	1,414
U.S.	5,726	5,469
Canada	486	447
Total North America	6,212	5,916
Brazil	506	723
Mexico	285	209
Other South and Central America	248	164
Total South and Central America	1,039	1,096
China	1,375	1,151
Australia	503	494
South Korea	482	850
Japan	469	425
India	400	343
Other markets	1,380	1,322
Total Asia and other markets	4,609	4,585
Total	27,145	24,803

In the translation of foreign subsidiaries, changes in exchange rates compared with 2015 had a negative impact of 1 percent (pos: 10) on sales.

Trends in key currencies against the SEK were as follows:

	201	6	201	5
	Average rate	Closing day rate	Average rate	Closing day rate
EUR	9.4691	9.5762	9.3562	9.1443
USD	8.5601	9.0984	8.4350	8.3537
GBP	11.5702	11.1850	12.8961	12.3848

Distribution by geographic market

				pital
	Capital	employed	exper	ditures
SEK M	2016	2015	2016	2015
Italy	2,495	2,314	118	125
U.K.	1,995	2,194	140	105
Germany	1,708	956	57	35
Sweden	826	813	77	83
France	823	790	56	93
Switzerland	619	404	22	17
Malta	420	116	25	27
Other Western Europe	4,941	4,607	60	60
Total Western Europe	13,827	12,194	555	545
Czech Republic	8,752	206	66	16
Slovenia	1,462	-	24	-
Turkey	333	381	16	16
Poland	127	120	29	24
Serbia	156	-	6	-
Rest of Europe	198	152	37	15
Total rest of Europe	11,028	859	178	71
U.S.	8,969	5,848	249	424
Canada	44	44	0	0
Total North America	9,013	5,892	249	424
Brazil	1,030	811	11	9
Mexico	101	35	4	0
Other South and Central America	5	5	0	_
Total South and Central America	1,136	851	15	9
China	1,377	1,291	99	167
Australia	473	392	11	18
Sri Lanka	320	294	24	33
Japan	208	189	1	1
India	185	169	13	19
Other markets	103	123	3	27
Total Asia and other markets	2,666	2,458	151	265
Total, continuing operations	37,670	22,254	1,148	1,314

3 Revenue recognition

Accounting policies

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 operating activities, less VAT and discounts, and after elimination of intra-Group sales. Revenue is recognized as follows:

Sales of goods

Revenue from sales 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 in the goods that is ownership-related, nor does it exercise any real control over the goods when revenue is recognized. Sales are recognized after deduction of VAT and are adjusted for any discounts.

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 whereby it is probable that the Group will obtain the financial benefits related to the assignment, and when a reliable calculation can be made. 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. $\label{eq:condition}$

Dividend income

Dividend income is recognized when the right to receive payment has been determined.

Other operating income

Other operating income includes external rental revenue, capital gains from the sale and scrapping of property, plant, equipment and tools, positive exchange rate differences, derivatives and also gains or losses on divestments of associated companies and subsidiaries.

4 Expenses by nature

SEK M	2016	2015
Costs for raw materials, components, goods for resale and packaging material as well as energy and transport costs	-12,801	-11,787
Remuneration to employees	-8,247	-7,518
Depreciation/amortization and impairment losses	-1,194	-863
Other external costs related to sales, administration and R&D	-2,051	-1,814
Other operating income/expenses	244	139
Participations in associated companies	9	2
Total	-24,040	-21,841

The above amounts include items affecting comparability.

5 Items affecting comparability

Accounting policies

Non-recurring expenses related to the action programs aimed at enhancing the Group's efficiency and structure are recognized as items affecting comparability. A project is classified as affecting comparability only when it amounts to an equivalent of at least SEK 20 $_{\mbox{\scriptsize M}}$ and it has been approved by the Board.

An additional non-recurring impairment of non-current assets was included in items affecting comparability. Impairment was conducted to the calculated value in use. In addition to the action programs, costs and income can, in exceptional cases, also be classified as items affecting comparability. Exceptional items refers to material income or expense items recognized separately due to the significance of their nature or amount.

Breakdown by business area

SEK M	2016	2015
Trelleborg Coated Systems	-82	-120
Trelleborg Industrial Solutions	-32	-21
Trelleborg Offshore & Construction	-179	-61
Trelleborg Sealing Solutions	-1	-35
Trelleborg Wheel Systems	-29	-12
Group items	-16	-8
Total	-339	-257
Acquisition-related costs	-52	-
Total items affecting comparability	-391	-257

Breakdown by function

, , ,		
SEK M	2016	2015
Cost of goods sold	-203	-162
Selling expenses	-19	-6
Administrative expenses	-93	-60
Research & development costs	-1	-1
Other operating income	0	9
Other operating expenses	-75	-37
Total	-391	-257

Of which impairment losses/restructuring costs

	Impairme	ent losses	Restructuri	ng costs
SEK M	2016	2015	2016	2015
Trelleborg Coated Systems	1	-17	-83	-103
Trelleborg Industrial Solutions	-	-4	-32	-17
Trelleborg Offshore & Construction	-51	-	-128	-61
Trelleborg Sealing Solutions	-	-3	-1	-32
Trelleborg Wheel Systems	-1	-5	-28	-7
Group items	-5	-	-11	-8
Total	-56	-29	-283	-228

6 Other operating income and expenses

Accounting policies

Other operating income and expenses includes rental revenue, capital gains/losses from the sale and scrapping of property, plant, equipment and tools, exchange rate differences, derivatives and also gains or losses on divestments of associated companies and subsidiaries. Refer to Note 3.

SEK M	2016	2015
Compensation from insurance company	0	1
Rental revenue	45	45
Exchange rate differences	215	198
Royalties	12	14
Government grants	8	13
Customer/Supplier-related revenues	14	12
Derivatives	162	86
Sale of non-current assets	11	25
Sale of tools, prototypes, etc.	16	6
Sale of services	3	3
Other	103	26
Total other operating income	589	429
Rental costs	-8	1
Exchange rate differences	-135	-89
Customer/Supplier-related expenses	-2	-6
Derivatives	-215	-170
Sale/disposal of non-current assets	-15	-11
Other	-103	-60
Total other operating expenses	-478	-335
Total	111	94

7 Auditor's remuneration

SEK M	2016	2015
PricewaterhouseCoopers		
Audit assignment	30	25
Audit activities other than audit assignment	3	1
Tax consultancy services	5	4
Other services	13	8
Other auditors		
Audit assignment	2	1
Audit activities other than audit assignment	0	_
Tax consultancy services	1	0
Other services	1	_
Total	55	39

8 Financial income and expenses

Financial income

SEK M	2016	2015
Interest income from interest-bearing receivables	46	36
Exchange rate gains	22	-
Total financial income	68	36
Financial expenses		
Interest expenses on interest-bearing liabilities	-261	-186
Exchange rate losses	-16	-3
Total financial expenses	-277	-189
Total financial income and expenses	-209	-153

9 Discontinuing operations

Accounting policies

Discontinuing or divested operations comprise significant parts of operations and assets that the Group has determined 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.

Non-current assets held for sale

Non-current 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 when 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.

Critical estimates and judgments

The receivable related to Vibracoustic's realized sales performance in 2016 and 2017 (refer to Note 29) is recognized and measured in line with the most probable outcome based on the information available at the date of preparation of this annual report.

As of 2016, Trelleborg's participation in Vibracoustic has been recognized as a discontinuing operation. The TrelleborgVibracoustic joint venture was formed in July 2012 between Trelleborg's former business area Trelleborg Automotive and Freudenberg's corresponding operations in antivibration solutions, Vibracoustic. The company has been owned in equal shares by the parties and was renamed in April 2016 to Vibracoustic. During summer 2016, Trelleborg sold all of its shares in Vibracoustic to Freudenberg.

Analysis of results from discontinuing operations

SEK M	2016	2015
Net sales	-	-
Cost of goods sold	-	-
Gross profit	_	-
Other operating income	4,312	509
EBIT	4,312	509
Profit before tax	4,312	509
Income tax	57	-
Net profit	4,369	509

On divestment of Vibracoustic, the Group received a purchase consideration which, following deductions for various related costs and exchange rate effects, amounted to SEK 6,779 M. The carrying amount at the date of sale amounted to SEK 2,766 M. A reversal of translation differences impacted net profit for the year in the amount of SEK 299 M. Tax related to the divestment totaled SEK 57 M. Net profit for discontinuing operations for full-year 2016 was thus SEK 4,369 M. The net effect on shareholders' equity from the divestment amounted to SEK 4,070 M, since the transfer of translation differences was recognized in equity.

Net profit in discontinuing operations for 2015 is also attributable to Vibracoustic.

10 Income tax

Accounting policies

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 comprehensive income, in which case the related tax effect is also recognized in equity or comprehensive income. Current tax is tax payable or recoverable for the current year. This also includes adjustment for current tax attributable to prior periods.

Deferred tax is recognized in its entirety and calculated using the balance sheet approach on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. Temporary differences that arise on initial recognition of an asset or liability, and which are not attributable to a business combination and have not affected recognized or taxable earnings, do not entail a deferred tax asset or tax liability in the balance sheet. Temporary differences are not recognized for participations in subsidiaries and joint ventures/associated companies, as the Group can control the date when these temporary differences are reversed and when it is unlikely that they will be reversed in the foreseeable future. Temporary differences arise in business combinations on the differences between the consolidated value of assets and liabilities and their tax bases.

Deferred tax is measured at the nominal amount and calculated by applying the tax rates and tax rules enacted or announced at the closing date. Deferred tax assets are recognized insofar as it is probable that tax surpluses will be available in the tuture against which temporary differences can be utilized. Deferred tax assets and liabilities are offset when the deferred tax pertains to the same tax authority.

Critical estimates and judgments

Assessments are made to determine current and deferred tax receivables or liabilities, particularly with regard to deferred tax assets. In this manner, an assessment is made of the probability that the deferred tax assets 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 to changes in tax regulations.

Income tax

SEK M 2016 2015 Current tax expenses Tax expenses for the period -597 -492 Adjustment of tax attributable to prior years 3 1 Total -594 -491 Deferred tax expenses Utilization/Revaluation of losses carried forward 27 -183 Deferred tax expenses/income on changes in temporary differences -105 -36 Total -78 -219 Other taxes -8 -3 Total recognized tax expenses for continuing operations -680 -713 Discontinuing operations -623 -713 Deferred tax expense/income 57 - Total recognized tax expenses for the Group -623 -713 Reconciliation of tax in the Group, continuing operations -623 -713 Reconciliation of tax in the Group, continuing operations -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 <	moonie tax		
Tax expenses for the period -597 -492 Adjustment of tax attributable to prior years 3 1 Total -594 -491 Deferred tax expenses Utilization/Revaluation of losses carried forward 27 -183 Deferred tax expenses/income on changes in temporary differences -105 -36 Total -78 -219 Other taxes -8 -3 Total recognized tax expenses for continuing operations -680 -713 Discontinuing operations -680 -713 Deferred tax expenses/income 57 - Total recognized tax expenses for the Group -623 -713 Reconciliation of tax in the Group, continuing operations -623 -713 Reconciliation of tax in the Group, continuing operations -637 -618 Impact of other tax, excluding participations in Vibracoustic 2,896 2,809 Calculated Swedish income tax, 22% (22%) -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 </th <th>SEK M</th> <th>2016</th> <th>2015</th>	SEK M	2016	2015
Adjustment of tax attributable to prior years 3 1 Total -594 -491 Deferred tax expenses Utilization/Revaluation of losses carried forward 27 -183 Deferred tax expenses/income on changes in temporary differences -105 -36 Total -78 -219 Other taxes -8 -3 Total recognized tax expenses for continuing operations -680 -713 Discontinuing operations -623 -713 Deferred tax expenses/income 57 - Total recognized tax expenses for the Group -623 -713 Reconciliation of tax in the Group, continuing operations -623 -713 Reconciliation of tax in the Group, continuing operations -637 -618 Impact of other tax, excluding participations in Vibracoustic 2,896 2,899 Calculated Swedish income tax, 22% (22%) -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3	Current tax expenses		
Total -594 -491 Deferred tax expenses Utilization/Revaluation of losses carried forward 27 -183 Deferred tax expenses/income on changes in temporary differences -105 -36 Total -78 -219 Other taxes -8 -3 Total recognized tax expenses for continuing operations -680 -713 Discontinuing operations -680 -713 Deferred tax expense/income 57 - Total recognized tax expenses for the Group -623 -713 Reconciliation of tax in the Group, continuing operations -623 -713 Reconciliation of tax in the Group, continuing operations -637 -618 Impact of other tax excluding participations in Vibracoustic 2,896 2,896 Calculated Swedish income tax, 22% (22%) -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences	Tax expenses for the period	-597	-492
Deferred tax expenses Utilization/Revaluation of losses carried forward Deferred tax expenses/income on changes in temporary differences -105 -36 Total -78 -219 Other taxes -8 -3 Total recognized tax expenses for continuing operations Discontinuing operations Deferred tax expenses for the Group -623 -713 Reconciliation of tax in the Group, continuing operations Profit before tax, excluding participations in Vibracoustic Calculated Swedish income tax, 22% (22%) Impact of other tax rates on foreign subsidiaries Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Adjustment of tax attributable to prior years	3	1
Utilization/Revaluation of losses carried forward Deferred tax expenses/income on changes in temporary differences Total Total Other taxes -8 -3 Total recognized tax expenses for continuing operations Deferred tax expenses for continuing operations Deferred tax expenses for the Group Total recognized tax expenses for the Group Reconciliation of tax in the Group, continuing operations Profit before tax, excluding participations in Vibracoustic Calculated Swedish income tax, 22% (22%) Impact of other tax rates on foreign subsidiaries Non-deductible expenses/Non-taxable revenue -50 Reassessment of losses carried forward/temporary differences Other Tax attributable to prior years Other Total Total Total Total Total Total Tax items recognized in other comprehensive income Deferred tax on hedging of net investments Deferred tax on pension obligations 15 -1	Total	-594	-491
Deferred tax expenses/income on changes in temporary differences Total -78 -219 Other taxes -8 -3 Total recognized tax expenses for continuing operations Deferred tax expenses for continuing operations Deferred tax expenses/income 57 - Total recognized tax expenses for the Group -623 -713 Reconciliation of tax in the Group, continuing operations Profit before tax, excluding participations in Vibracoustic 2,896 2,809 Calculated Swedish income tax, 22% (22%) -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Deferred tax expenses		
differences -105 -36 Total -78 -219 Other taxes -8 -3 Total recognized tax expenses for continuing operations -680 -713 Discontinuing operations 57 - Deferred tax expenses/income 57 - Total recognized tax expenses for the Group -623 -713 Reconciliation of tax in the Group, continuing operations -623 -713 Reconciliation of tax in the Group, continuing operations -623 -713 Profit before tax, excluding participations in Vibracoustic 2,896 2,809 Calculated Swedish income tax, 22% (22%) -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3	Utilization/Revaluation of losses carried forward	27	-183
Total -78 -219 Other taxes -8 -3 Total recognized tax expenses for continuing operations -680 -713 Discontinuing operations -623 -713 Deferred tax expense/income 57 - Total recognized tax expenses for the Group -623 -713 Reconciliation of tax in the Group, continuing operations -623 -713 Reconciliation of tax in the Group, continuing operations -623 -713 Profit before tax, excluding participations in Vibracoustic 2,896 2,809 Calculated Swedish income tax, 22% (22%) -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680	Deferred tax expenses/income on changes in temporary		
Other taxes	differences	-105	-36
Total recognized tax expenses for continuing operations Discontinuing operations Deferred tax expense/income Total recognized tax expenses for the Group Reconciliation of tax in the Group, continuing operations Profit before tax, excluding participations in Vibracoustic Calculated Swedish income tax, 22% (22%) Impact of other tax rates on foreign subsidiaries Non-deductible expenses/Non-taxable revenue -50 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -11	Total	-78	-219
Discontinuing operations Deferred tax expense/income Total recognized tax expenses for the Group Reconciliation of tax in the Group, continuing operations Profit before tax, excluding participations in Vibracoustic Calculated Swedish income tax, 22% (22%) Impact of other tax rates on foreign subsidiaries Non-deductible expenses/Non-taxable revenue -50 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on cash-flow hedges Deferred tax in translation differences -14 19 Deferred tax on pension obligations 57 -623 -713	Other taxes	-8	-3
Deferred tax expense/income 57 - Total recognized tax expenses for the Group -623 -713 Reconciliation of tax in the Group, continuing operations Profit before tax, excluding participations in Vibracoustic 2,896 2,809 Calculated Swedish income tax, 22% (22%) -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on cash-flow hedges 3 -6 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Total recognized tax expenses for continuing operations	-680	-713
Deferred tax expense/income 57 - Total recognized tax expenses for the Group -623 -713 Reconciliation of tax in the Group, continuing operations Profit before tax, excluding participations in Vibracoustic 2,896 2,809 Calculated Swedish income tax, 22% (22%) -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on cash-flow hedges 3 -6 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1			
Total recognized tax expenses for the Group Reconciliation of tax in the Group, continuing operations Profit before tax, excluding participations in Vibracoustic 2,896 2,809 Calculated Swedish income tax, 22% (22%) Impact of other tax rates on foreign subsidiaries Non-deductible expenses/Non-taxable revenue Impact of changed tax rates and tax regulations Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Discontinuing operations		
Reconciliation of tax in the Group, continuing operations Profit before tax, excluding participations in Vibracoustic Calculated Swedish income tax, 22% (22%) Impact of other tax rates on foreign subsidiaries Non-deductible expenses/Non-taxable revenue Impact of changed tax rates and tax regulations Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Deferred tax expense/income	57	-
Profit before tax, excluding participations in Vibracoustic 2,896 2,809 Calculated Swedish income tax, 22% (22%) -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income -680 -713 Tax items recognized in other comprehensive income -680 -713 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Total recognized tax expenses for the Group	-623	-713
Profit before tax, excluding participations in Vibracoustic 2,896 2,809 Calculated Swedish income tax, 22% (22%) -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income -680 -713 Tax items recognized in other comprehensive income -680 -713 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1			
Calculated Swedish income tax, 22% (22%) -637 -618 Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income -680 -713 Tax items recognized in other comprehensive income -680 -713 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Reconciliation of tax in the Group, continuing operations		
Impact of other tax rates on foreign subsidiaries -51 -68 Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on cash-flow hedges 3 -6 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Profit before tax, excluding participations in Vibracoustic	2,896	2,809
Non-deductible expenses/Non-taxable revenue -50 -28 Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on cash-flow hedges 3 -6 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Calculated Swedish income tax, 22% (22%)	-637	-618
Impact of changed tax rates and tax regulations 3 -6 Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on cash-flow hedges 3 -6 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Impact of other tax rates on foreign subsidiaries	-51	-68
Reassessment of losses carried forward/temporary differences 66 -17 Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income -680 -713 Deferred tax on cash-flow hedges 3 -6 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Non-deductible expenses/Non-taxable revenue	-50	-28
Tax attributable to prior years -5 26 Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income -680 -713 Deferred tax on cash-flow hedges 3 -6 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Impact of changed tax rates and tax regulations	3	-6
Other 2 1 Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income -680 -713 Deferred tax on cash-flow hedges 3 -6 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Reassessment of losses carried forward/temporary differences	66	-17
Total -672 -710 Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on cash-flow hedges 3 -6 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Tax attributable to prior years	-5	26
Other taxes -8 -3 Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income Deferred tax on cash-flow hedges 3 -6 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Other	2	1
Recognized tax for continuing operations -680 -713 Tax items recognized in other comprehensive income -6 Deferred tax on cash-flow hedges 3 -6 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Total	-672	-710
Tax items recognized in other comprehensive income Deferred tax on cash-flow hedges Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Other taxes	-8	-3
Deferred tax on cash-flow hedges 3 -6 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Recognized tax for continuing operations	-680	-713
Deferred tax on cash-flow hedges 3 -6 Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1			
Deferred tax on hedging of net investments 110 7 Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Tax items recognized in other comprehensive income		
Deferred tax in translation differences -14 19 Deferred tax on pension obligations 15 -1	Deferred tax on cash-flow hedges	3	-6
Deferred tax on pension obligations 15 -1	Deferred tax on hedging of net investments	110	7
	Deferred tax in translation differences	-14	19
Total 114 19	Deferred tax on pension obligations	15	-1
	Total	114	19

At year-end 2016, the Group had losses carried forward in continuing operations of approximately Sek 3,396 M (2,917), of which Sek 2,425 M (1,935) was taken into account when calculating deferred tax. Losses carried forward not taken into account include cases where uncertainty exists regarding the tax value.

Of losses carried forward, SEK 16 M (13) falls due within the next 12-month period and SEK 19 M (19) falls due within the next five-year period.

Deferred tax assets and liabilities

	2016				2015			
SEK M	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net		
Intangible assets	34	1,023	-989	21	450	-429		
Land and buildings	84	167	-83	39	105	-66		
Machinery and equipment	39	194	-155	47	122	-75		
Financial non-current assets	0	10	-10	0	11	-11		
Inventories	162	5	157	128	6	122		
Current receivables	12	2	10	12	4	8		
Pension provisions	155	0	155	133	1	132		
Other provisions	74	2	72	70	3	67		
Non-current liabilities	111	3	108	46	1	45		
Current liabilities	112	15	97	88	2	86		
Losses carried forward	643	-	643	469	_	469		
Total	1,426	1,421	5	1,053	705	348		
Offsetting of assets/liabilities	-632	-632		-347	-347			
Total	794	789	5	706	358	348		

Change in deferred tax on temporary differences and losses carried forward

	Balance, Ja	nnuary 1	Recogniz profit an		Recogni other comp income/d against	rehensive lirectly	Acquired/o tax ass liabilit	ets/	Transla differer		Balance, Dec	ember 31
SEK M	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Intangible assets	-429	-369	-25	-57	-	-	-505	-1	-30	-2	-989	-429
Land and buildings	-66	-67	10	-1	-	3	-24	-	-3	-1	-83	-66
Machinery and equipment	-75	-71	-32	-6	-	-	-41	-	-7	2	-155	-75
Financial non-current assets	-11	-8	-36	-7	38	3	-	-	-1	1	-10	-11
Inventories	122	84	2	37	-	-	26	-	7	1	157	122
Current receivables	8	10	1	-2	-	-	-	-	1	0	10	8
Pension provisions	132	123	-15	9	15	-1	17	2	6	-1	155	132
Other provisions	67	50	-26	19	-	-	26	-	5	-2	72	67
Non-current liabilities	45	52	62	5	-	-12	-	-	1	0	108	45
Current liabilities	86	123	11	-33	0	-7	-2	-	2	3	97	86
Losses carried forward	469	632	27	-183	61	33	60	2	26	-15	643	469
Total	348	559	-21	-219	114	19	-443	3	7	-14	5	348
Of which discontinued operations			57	-								
Continuing operations			-78	-219								

Employees

11 Employees and employee benefits

Accounting policies

Employee benefits

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 recognizes severance pay when a detailed formal plan has been presented.

Average number of employees

		2016			2015	
		Number of			Number of	
	Women	Men	Total	Women	Men	Total
U.K.	286	1,306	1,592	284	1,366	1,650
Italy	176	1,007	1,183	164	968	1,132
Sweden	360	751	1,111	383	797	1,180
France	200	777	977	188	820	1,008
Germany	267	531	798	241	443	684
Malta	149	355	504	150	349	499
Denmark	117	258	375	95	249	344
Norway	45	217	262	56	228	284
Other Western Europe	173	592	765	164	535	699
Total Western Europe	1,773	5,794	7,567	1,725	5,755	7,480
Czech Republic	736	2,019	2,755	62	135	197
Slovenia	146	382	528	-	-	-
Turkey	25	447	472	23	543	566
Poland	212	246	458	239	255	494
Rest of Europe	225	499	724	182	188	370
Total rest of Europe	1,344	3,593	4,937	506	1,121	1,627
U.S.	694	1,958	2,652	662	1,876	2,538
Canada	4	22	26	4	23	27
Total North America	698	1,980	2,678	666	1,899	2,565
Brazil	64	366	430	50	308	358
Other South and						
Central America	117	263	380	83	213	296
Total South and						
Central America	181	629	810	133	521	654
China	437	1,130	1,567	440	1,109	1,549
Sri Lanka	28	656	684	28	681	709
India	80	429	509	68	404	472
Other markets	145	526	671	137	520	657
Total Asia and						
other markets	690	2,741	3,431	673	2,714	3,387
Total	4,686	14,737	19,423	3,703	12,010	15,713

The proportion of women is 9 percent (9) in Group Management and 33 percent (33) on the Board of Directors.

Employee benefits, other remuneration and payroll overheads

Salaries and other remuneration, SEK M	2016	2015
U.K.	658	712
Italy	513	464
Sweden	583	601
France	359	426
Germany	500	428
Malta	103	99
Denmark	251	231
Norway	181	196
Other Western Europe	396	360
Total Western Europe	3,544	3,517
Czech Republic	325	33
Slovenia	88	-
Turkey	79	78
Poland	57	57
Rest of Europe	77	50
Total rest of Europe	626	218

1,581	1,539
16	18
1,597	1,557
102	89
33	34
135	123
196	183
43	41
47	44
340	302
626	570
6,528	5,985
1,271	1,100
262	182
-28	49
1,505	1,331
8,033	7,316
190	186
44	45
	16 1,597 102 33 135 196 43 47 340 626 6,528 1,271 262 -28 1,505 8,033

Remuneration of the Board of Directors and senior executives

The following principles governing remuneration of senior executives in the Trelleborg Group were adopted by the 2016 Annual General Meeting. The Board's proposal to the 2017 Annual General Meeting regarding principles for remuneration does not deviate substantially from the principles adopted by the 2016 Annual General Meeting. Trelleborg's principles for remuneration of senior executives state that the company shall offer market-based terms of employment that enable the company to recruit, develop and retain senior executives. It should be possible for the remuneration principles to vary depending on local conditions and be based on such factors as position, expertise, experience and performance. The total remuneration package is to comprise fixed and variable salaries, pension and other remuneration. Trelleborg continuously performs evaluations to ensure that conditions are market-based as compared with relevant industries and markets. Refer also to www.trelleborg.com, Corporate Governance, Remuneration: "Principles for remuneration and other conditions of employment for senior executives".

Remuneration of management 2016

President

During 2016, the President and CEO received a fixed salary and other remuneration as shown in the table overleaf. 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 2016, corresponding to a maximum of $65\ percent$ of fixed salary. During 2016, the annual variable salary was based on the Trelleborg Group's profit before tax and the Group's operating cash flow, excluding both the effect of structural changes approved by the Board, the earnings effect from Vibracoustic and global growth. The President also had a minor share of the annual variable salary based on the result from Vibracoustic. The annual variable salary does not constitute pensionable income and does not form the basis of calculation of vacation pay. For 2016, an annual variable salary of SEK 6,058,000 (5,648,000) was payable to the President.

Pensionable age for the President 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. The pension agreement is a defined-contribution scheme, and the premium comprises 40 percent of the fixed salary. Pension premiums were expensed in 2016 as shown in the table overleaf.

For the President, a period of notice of 24 months applies when termination of employment is initiated by the company. The period of notice when termination of employment is initiated by the President is six months.

Other senior executives

The principles for remuneration of other senior executives are based on both a fixed and annual variable salary. The annual variable part has an established ceiling and accounts for a maximum of 40-65 percent of fixed annual salary. In 2016, one senior executive received a variable part that exceeded 65 percent. This was of a non-recurring nature and was approved by the Remuneration Committee. In 2016, the annual variable salary was based on the following factors: profit before tax, operating cash flow and global growth. In addition, a minor portion of the annual variable salary of a few senior executives was based on the result from Vibracoustic. For the business areas, other operating key figures also served as targets for annual variable salary. For other senior executives, the entire pension plan is a defined-contribution scheme, whereby the pension premium can vary between 20 and 45 percent of the fixed salary. This applies to other senior executives in all countries other than Italy, where the premium level is slightly higher. Certain senior executives have extended notice of termination periods when initiated by the company, normally 12, 18 or 24 months. The period of notice from the senior executive is six months. The

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

Long-term incentive program

Since 2005, the Board of Directors has annually resolved on 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. The Board determines annually whether to instigate new programs and, if so, the scope, objective and participants of such new programs. The incentive programs are a cash-based supplement to the annual variable salaries, provided that the executive has not terminated his employment as per December 31 in the year in which the program ends.

Purpose

The incentive programs are directional and have long-term content. The aim is to increase value for the Group's shareholders by promoting and retaining the commitment of senior executives to the Group's development.

Target figure

The target value for the incentive programs is an annual improvement of 10 percent in the Trelleborg Group's earnings per share. This target excludes the Group's items affecting comparability and the impact of any share buyback programs. For the 2014-2016 program, the basis for the target figure was set as the outcome of earnings per share for 2013 and this principle has remained unchanged for the rolling three-year programs that commenced thereafter. For 2016, the effect of Vibracoustic has been excluded. All programs have an outcome that is limited to 33.3 percent of the maximum annual variable salary.

Outcome and payment

The outcomes of the programs 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. A payment was made in the first quarter of 2016 for the program approved in 2013. For the program approved for 2014, payment will be made in the first quarter of 2017, for the program approved for 2015, payment will be made in the first quarter of 2018, and for the program proved for 2016, payment will be made in the first quarter of 2019. The payments do not constitute pensionable income and do not form the basis of calculation of vacation pay. In 2016, the Group's earnings were charged with sex 45,423,000 (46,479,000) and additional payroll overheads of SEK 9,988,000 (10,675,000).

Other incentive programs

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

Remuneration to the Board 2016

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 2016, remuneration was paid as per the table below. No consulting fees were paid to the Board members. Remuneration is not paid to executive Board members.

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

2016	Board fee/fixed	Annual variable	Incentive	Other	Pension	
sek 000s	salary	salary	program ¹⁾	benefits	costs	Total
Sören Mellstig, Chairman of						
the Board	1,570					1,570
Hans Biörck, Board member	688					688
Jan Carlson, Board member	635					635
Gunilla Fransson, Board						
member	347					347
Claes Lindqvist 2)	192					192
Johan Malmquist, Board						
member	387					387
Anne Mette Olesen, Board						
member	545					545
Susanne Pahlén Åklundh,						
Board member	347					347
Bo Risberg, Board member	668					668
Nina Udnes Tronstad 2)	158					158
Heléne Vibbleus 2)	208					208
President	9,6783)	6,058	6,7934)	180	3,9594)	26,668
Other senior executives, employees of						
Trelleborg AB, 3 persons	7,016	7,018	3,617	357	1,691	19,699
employees of other Group						
companies, 7 persons	26,798	9,837	13,511	954	10,779	61,879
Total	49,237	22,913	23,921	1,491	16,429	113,991

Expensed in 2016. Payment is made in the first quarter, 2017 to 2019, on condition that the individual is employed in the Group on December 31 of the preceding year.

-						
••••	Board	Annual				
2015 SEK 000s	fee/fixed salary	variable salarv	Incentive program	Other	Pension costs	Total
Sören Mellstig, Chairman of	Juluiy	- Juliury	program	Bollolito	00010	101411
the Board	1,350					1,350
Hans Biörck, Board member	662					662
Jan Carlson, Board member	512					512
Claes Lindqvist, Board member	562					562
Anne Mette Olesen, Board member	317					317
Bo Risberg, Board member	612					612
Nina Udnes Tronstad, Board member	462					462
Heléne Vibbleus, Board member	612					612
President	9,772	5,648	5,609	171	3,841	25,041
Other senior executives, employees of						
Trelleborg AB, 3 persons	9,021	3,757	3,789	426	8,838	25,831
employees of other Group companies, 7 persons	24,062	8,087	10,429	943	9,862	53,383
Total	47,944	17,492	19,827	1,540	22,541	109,344

12 Provisions for pensions and similar items

Accounting policies

Employee benefits

Pension obligations

Within the Group, there are a number of defined contribution pension plans and defined benefit pension plans, of which a small number have plan assets in foundations or similar. Pension plans are normally financed through contributions to a separate legal entity from each Group company and from the employees. Prepaid contributions are recognized as an asset insofar as cash repayments or reductions of future payments can benefit the Group. Costs for services rendered in previous years are recognized directly in profit and loss.

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. As Trelleborg did not have access to information to enable it to recognize this plan as a defined benefit plan, it was, consequently, recognized as a defined contribution plan.

Defined contribution pension plans

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.

The Group's pension payments for defined contribution plans are expensed in all functions in profit and loss in the period in which the employees carried out the service to which the contribution refers.

Defined benefit pension plans

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.

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 closing date, less the fair value of plan assets. 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, meaning where the assets exceed the obligations, are recognized as plan assets.

Actuarial gains and losses as a result of experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Other post-employment benefits

Certain Group companies, primarily in the U.S., 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.

²⁾ Board Member up to and including the Annual General Meeting.

³⁾ Of this amount, fixed salary represented SEK 9,703,000, with the remainder mainly consisting of a change in vacation pay liability.

⁴⁾ The sum expensed for the President in 2016 includes an accounting effect due to the allocation of amounts to certain periods. However, the maximum amount is within the given framework.

Critical estimates and judgments

The value of pension obligations for defined benefit 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 defined benefit obligations amounted to SEK 659 M (555).

The sensitivity analyses below are based on a change in one assumption, with all other assumptions remaining constant. In practice, it is unlikely that this will occur and some of the changes in the assumptions may be correlated. The calculation of sensitivity in the defined benefit obligation for key actuarial assumptions uses the same method (the present value of the defined benefit obligation applying the Projected Unit Credit Method at the end of the reporting period) as used in the calculation of pension liabilities recognized in the balance sheet.

Specification of costs

SEK M	2016	2015
Costs for services during current year 1)	39	35
Interest on the obligation	45	47
Anticipated return on plan assets 2)	-27	-28
Actuarial gains and losses recognized for the year	1	-1
Curtailment and settlement	-87	-5
Past service cost	1	1
Total cost of defined benefit plans	-28	49
Cost of defined contribution plans	262	182
Total pension costs	234	231

- 1) Includes administrative expenses, taxes and risk premiums.
- 2) Adjusted for limitation of defined benefit asset and IFRIC 14.

The gain of SEK 87 M from curtailment and settlement is primarily related to two events. The first of these pertained to securing an ITP plan in Sweden through pension insurance with Alecta, a multi-employer fund, while the second involved the termination of a defined benefit plan in the Netherlands for future accruals.

Specification of pension liability in the balance sheet

SEK M	2016	2015
Present value of funded obligations	1,074	869
Fair value of plan assets	-901	-748
Surplus/deficit in funded plans	173	121
Present value of unfunded obligations	486	434
Total defined benefit plans	659	555
Defined contribution plans	2	14
Net pension liability	661	569
of which, recognized as plan assets	20	27
Closing balance, pension liability	681	596

Change in defined benefit obligations

	Present		
	value of	Fair value of	Takal
SEK M	obligation	plan assets	Total
On January 1, 2015	1,308	-725	583
Costs for services during current year 3)	31	4	35
Interest expenses/(income) 4)	46	-28	18
Past service cost	1	0	1
Gains and losses from settlements	-5	0	-5
	73	-24	49
Revaluations:			
Return on plan assets excluding amounts included in interest expenses/(income)	0	24	24
(Gain)/loss due to changed demographic			
assumptions	-16	0	-16
(Gain)/loss due to changed financial			
assumptions	-5	0	-5
Experience-based (gains)/losses	-7	0	-7
	-28	24	-4

	Present value of	Fair value of	
SEK M	obligation	plan assets	Total
Exchange rate differences	26	-34	-8
Contributions:			
Employer	0	-69	-69
Employees encompassed by the plan	4	-4	0
Payments:			
Payments made from plans	-44	44	0
Payments made directly from companies	-40	40	0
Assumed through business combinations	0	0	0
Transfers or change in scope	4	0	4
At December 31, 2015	1,303	-748	555
On January 1, 2016	1,303	-748	555
Costs for services during current year 3)	34	5	39
Interest expenses/(income) 4)	45	-27	18
Past service cost	1	0	1
Gains and losses from settlements	-86	0	-86
	-6	-22	-28
Revaluations:			
Return on plan assets excluding amounts included in interest expenses/(income)	0	-18	-18
(Gain)/loss due to changed demographic assumptions	-9	0	-9
(Gain)/loss due to changed financial			
assumptions	100	0	100
Experience-based (gains)/losses	-12	0	-12
	79	-18	61
Exchange rate differences	60	-33	27
Contributions:			
Employer	0	-65	-65
Employees encompassed by the plan	5	-5	0
Payments:			
Payments made from plans	-39	39	0
Payments made directly from companies	-39	39	0
Assumed through business combinations	194	-88	106
Transfers or change in scope	3	0	3
At December 31, 2016	1,560	-901	659

- $^{\rm 3)}$ Including administrative expenses.
- $^{
 m 4)}$ Adjusted for limitation of defined benefit asset and IFRIC 14.

The acquisition of CGS Holding and Schwab Vibration Control in 2016 yielded in overall increase of sex 106 $\rm M$ in the liability.

Defined benefit pension obligation and composition of plan assets per country

	2016						
SEK M	U.S.	Switzerland	France	U.K.	Other	Total	
Present value of funded obligations	563	263	0	137	111	1,074	
Fair value of plan assets	-458	-192	0	-125	-126	-901	
Total	105	71	0	12	-15	173	
Present value of unfunded obligations	15	0	172	0	299	486	
Total defined benefit plans	120	71	172	12	284	659	

	2015						
SEK M	U.S.	Switzerland	France	U.K.	Other	Total	
Present value of funded obligations	526	118	0	126	99	869	
Fair value of plan assets	-419	-86	0	-137	-106	-748	
Total	107	32	0	-11	-7	121	
Present value of unfunded obligations	13	0	154	0	267	434	
Total defined benefit plans	120	32	154	-11	260	555	

	2016							
Key actuarial assumptions, %	U.S.	Switzerland	France	U.K.	Other	Group average		
Discount rate	4.3	0.4	1.1	2.6	2.4	2.6		
Inflation	2.5	1.0	1.8	2.5	2.5	2.0		
Salary increases	0.3	1.0	2.4	0.0	3.6	2.4		

Key actuarial assumptions, %	U.S.	Switzerland	France	U.K.	Other	Group average
Discount rate	4.4	0.8	2.1	3.9	3.3	3.5
Inflation	2.5	1.0	1.8	2.1	2.3	2.0
Salary increases	0.3	1.0	2.4	0.0	4.1	2.8

	2016						
Life expectancy	U.S.	Switzerland	France	U.K.	Other	Average	
Life expectancy for a 45-year- old man at the age of 65	22.8	24.2	18.4	22.7	20.4	21.7	
Life expectancy for a 65-year- old man at the age of 65	20.8	22.3	18.4	21.0	19.5	20.3	
Life expectancy for a 45-year- old woman at the age of 65	24.4	26.2	22.6	25.2	23.9	24.2	
Life expectancy for a 65-year- old woman at the age of 65	22.4	24.3	22.6	23.3	22.9	22.8	

Life expectancy	U.S.	Switzerland	France	U.K.	Other	Average
Life expectancy for a 45-year- old man at the age of 65	22.9	23.2	18.4	22.6	21.0	21.5
Life expectancy for a 65-year- old man at the age of 65	21.2	21.5	18.4	21.0	20.1	20.4
Life expectancy for a 45-year- old woman at the age of 65	24.9	25.7	22.6	25.1	24.1	24.2
Life expectancy for a 65-year- old woman at the age of 65	23.2	24.0	22.6	23.3	23.4	23.0

Sensitivity in the defined benefit obligation to changes in the key weighted assumptions

Impact on the defined benefit obligation	Increase of +0.25% in assumptions ⁵⁾								
SEK M	U.S.	Switzerland	France	U.K.	Other	Total			
Discount rate	-16.2	-11.8	-4.9	-4.3	-12.9	-50.1			
Inflation	0.0	0.1	5.0	4.8	5.1	15.0			
Salary increases	0.6	1.0	5.0	0.0	2.4	9.0			
	Increase of 1 year in assumption								
Life expectancy	16.2	7.5	0.8	6.2	6.7	37.4			

Impact on the defined benefit obligation	Decrease of –0.25% in assumptions ⁵⁾									
SEK M	U.S. Switzerland France U.K. Other									
Discount rate	17.0	12.8	5.2	4.6	13.6	53.2				
Inflation	0.0	-0.2	-4.9	-4.6	-4.8	-14.5				
Salary increases	-0.6	-1.0	-4.9	0.0	-2.4	-8.9				
	Decrease of 1 year in assumption ⁶⁾									
Life expectancy										

⁵⁾ The increase in the defined benefit obligation is shown as positive and the decrease as negative.

Composition of plan assets

		2016		
SEK M	Listed	Unlisted	Total	%
Equity instruments	350	0	350	38.9
Debt instruments (government bonds and corporate bonds)	253	0	253	28.1
Properties	15	0	15	1.7
Other (including cash and cash equivalents and insurance)	131	152	283	31.3
Total	749	152	901	100.0

		2015		
SEK M	Listed	Unlisted	Total	%
Equity instruments	333	0	333	44.5
Debt instruments (government bonds and corporate bonds)	246	0	246	32.9
Properties	17	0	17	2.2
Other (including cash and cash equivalents and insurance)	30	122	152	20.4
Total	626	122	748	100.0

Contributions to plans for post-employment benefits for the 2017 fiscal year are expected to amount to $_{\rm SEK}$ 74 $_{\rm M}$. The weighted average term of the pension obligation is 13 years.

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 Swedish Financial Reporting Board, UFR 10, this constitutes a multi-employer defined benefit plan. For the 2016 fiscal year, the Group did not have access to such information that would enable the Group to report its proportionate share of the plan's obligations, plan assets and costs, which meant that it was not possible to report the plan as a defined benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is recorded as a defined contribution plan. The premium for the defined benefit retirement pension is individual and is determined by such factors as the insured's age, salary and previously earned pension. Expected contributions for pension insurance in the next reporting period taken out with Alecta total SEK 11 M. The Group pays an insignificant amount of this plan.

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. Collective consolidation, in the form of collective consolidation ratio, is normally permitted to vary between 125 percent and 155 percent. If Alecta's collective consolidation ratio falls below 125 percent or exceeds 155 percent, measures are taken to create conditions to return the collective consolidation ratio to the normal interval. Alecta's surplus can be distributed to the policyholders and/or the insured if the collective consolidation ratio exceeds 155 percent. However, Alecta applies premium reductions to avoid a surplus from arising. At December 31, 2016, Alecta's surplus corresponded to a collective consolidation ratio of 149 percent (153).

Pension plan, U.S.

Some of the trade-union members working at Trelleborg Coated Systems US Inc are part of the National Retirement Fund (NRF), a U.S. multi-employer pension plan. For the 2016 fiscal year, the company did not have access to information that would enable the company to record this plan as a defined benefit plan. Consequently, the plan is recorded as a defined contribution plan. The contribution to the pension plan is determined based on the salary mass of the plan participants and a fixed amount per plan participants. The Group's shares of the pension plan amounted to approximately 0.06 percent of the total contributions to the pension plan.

⁶⁾ Not applicable.

Group structure

13

Participations in joint venture/associated companies

Accounting policies

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, net after any recognition of impairment losses. The associated companies essentially carry out the same operations as the Group's other business activities and, accordingly, the share of profit in these companies is recognized in EBIT.

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 EBIT. 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 obligations have been incurred or payments made 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 ventures

Trelleborg has assessed its joint arrangements and determined them to be joint ventures. Joint ventures are recognized in accordance with the equity method. The equity method entails that holdings in joint ventures are to be initially recognized in the consolidated statement of financial position at cost. The carrying amount is subsequently increased or decreased to take into account the Group's share of profit and other comprehensive income from its joint ventures after the date of acquisition. The Group's share of profit is included in consolidated earnings, and the Group's share of other comprehensive income is included in other comprehensive income in the Group. When the Group's share of the losses in a joint venture is the same amount or exceeds the holdings in this joint venture (including all long-term receivables that in reality comprise part of the Group's net investment in the joint venture), the Group does not recognize any additional losses, unless the Group has undertaken commitments or has made payments on behalf of the joint venture.

Related-party transactions

The Group's transactions with related parties pertain to purchases and sales to joint ventures/associated companies. All transactions are priced in accordance with market terms and prices. In addition, compensation is paid to the Board of Directors and senior executives; refer to Note 11 for further information.

In 2015, the Trelleborg Group included a major joint venture, Vibracoustic GmbH, with its registered office in Germany. Vibracoustic was divested in 2016, resulting in the company being recognized among results from discontinuing operations as of January 1, 2016. For more information, see page 24.

Other associated companies account for a minor amount.

	Profit be	Profit before tax			Ne pro	-	Dividend received	
SEK M	2016	2015	2016	2015	2016	2015	2016	2015
Vibracoustic 1) Other, associated	-	739	-	-230	-	509	-	1,357
companies	11	2	-2	0	9	2	2	1
Total	11	741	-2	-230	9	511	2	1,358

 $^{^{1)}}$ Recognized as a discontinuing operation.

	Rece fr com					Operating Sales to income from companies companies		
SEK M	2016	2015	2016	2015	2016	2015	2016	2015
Vibracoustic ¹⁾ Other, associated	-	20	-	1	-	118	-	45
companies	2	-	1	0	25	2	4	-
Total	2	20	1	1	25	120	4	45

 $^{^{1)}}$ Recognized as a discontinuing operation.

Balance sheets Vibracoustic

SEK M	2016	2015
Ownership participation, %	-	50
Consolidated participation, %	-	50
Non-current assets	-	5,834
Current assets	-	4,078
Cash and cash equivalents	-	1,765
Non-current financial liabilities	-	1,929
Other non-current liabilities	-	1,609
Current financial liabilities	-	1,747
Other current liabilities	-	3,960
Net assets (100 percent)	-	2,432
Non-controlling interests	-	-329
Net assets after deduction for non-controlling interests	-	2,103
Group's theoretical participation, 50%	-	1,052
Difference in initial carrying amount/fair value	-	1,618
Translation differences	-	13
Carrying amount of participations in joint ventures	-	2,683

Change in carrying amounts, joint ventures/associated companies

SEK M	2016	2015
Balance, January 1, joint venture	2,683	3,597
Other comprehensive income	-	-66
Dividend	-	-1,357
Earnings reported in discontinuing operations	-2,683	509
Carrying amount, Vibracoustic	0	2,683
Other, associated companies 1)	87	13
Carrying amount, December 31	87	2,696

 $^{^{1)}\,}$ Of which Sico Rubena a.s accounts for SEK 74 M.

²⁾ Of which rental revenue seк – м (36).

14 Parent Company and Group holdings of shares in Group companies 1)

Accounting policies

Subsidiaries

The Group has a controlling influence over a company when it is exposed to or is entitled to variable return from its holding in the company and can influence return through its controlling influence in the company. This is normally achieved when the shareholding amounts to more than half of the voting rights. The occurrence and effect of potential voting rights that are currently available to utilize or convert are taken into account in the assessment of whether the Group exercises controlling influence over another company. The Group also determines that control exists despite not having a participation exceeding half of the voting rights but for which it nonetheless is able to govern financial and operating strategies in the company.

Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the control ceases. When the Group no

longer holds a controlling influence, each remaining holding is measured at fair value at the date on which the Group ceased to hold the controlling influence. The change in the carrying amount is recognized in profit and loss. The fair value is used as the initial carrying amount and comprises the basis for the future recognition of the remaining holdings as an associated company, joint venture or financial asset. All amounts pertaining to the divested unit that were previously recognized in other comprehensive income are recognized as if the Group had directly divested the attributable assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit and loss.

Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's policies.

Company	Registration number	Domicile/country	Number of shares	Ownership percent	Carrying amount
Chemtrading Alpha Holding AG	CH-170 3 018 603-0	Switzerland	100	100	3
Dormviltoly AB	556853-1619	Trelleborg	1,000	100	(
Dormviltretton AB	556853-1627	Trelleborg	1,000	100	(
Dormvilfjorton AB	556853-1486	Trelleborg	1,000	100	(
Dormvilfemton AB	556853-1635	Trelleborg	1,000	100	(
Lebela Förvaltnings AB	556054-1533	Trelleborg	60,000	100	35
MHT Takentreprenören i Malmö AB	556170-2340	Malmö	1,000	100	0
Trelleborg Automotive Shanghai Holdings AB	556742-8742	Trelleborg	1,000	100	10
Trelleborg Boots Mladá Boleslav s.r.o	63996111	Czech Republic	0	100	19
Trelleborg China Holding AB	556030-7398	Trelleborg	200,000	100	43
Trelleborg Sealing Solutions (China) Co. Ltd	310000400437534	China	0	100	
Trelleborg Coated Systems China Holding AB	556728-8716	Trelleborg	1,000	100	1
Trelleborg Corporation	06-1253246	U.S.	2,592	100	3,211
Trelleborg Coated Systems US Inc	23-1470071	U.S.	1,000	100	-,
Trelleborg Coated Systems Italy SpA	10051150158	Italy	25,600,000	100	
Trelleborg Sealing Solutions US, Inc	95-1773005	U.S.	7,500	100	
Trelleborg Wheel Systems Americas Inc	06-1316073	U.S.	1,000	100	
Trelleborg Sealing Profiles US Inc	20-4090472	U.S.	1,000	100	
Trelleborg Sealing Solutions Detroit Inc	58-2037536	U.S.	100	100	
Trelleborg Croatia D.O.O	080638386	Croatia	0	100	C
Trelleborg do Brasil Soluções em Vedação Ltda	35218417780	Brazil	21,003,021	100	19
Trelleborg Engineered Systems China Holding AB	556223-5910	Trelleborg	1,000	100	11
Trelleborg Engineered Systems Qingdao Holding AB	556715-4991	Trelleborg	1,000	100	96
Trelleborg Forsheda AB	556052-2996	Värnamo	8,640,000	100	243
Trelleborg Ersmark AB	556039-7852	Skellefteå	1,270,000	100	210
Trelleborg Holding AB	556212-8255	Trelleborg	3,000	100	5,461
Mitas a.s.	12190	Czech Republic	14,603,840	100	0,102
Rubena a.s.	12131	Czech Republic	174	100	
Savatech d.o.o.	1661205000	Slovenia	0	100	
Trelleborg Material & Mixing Lesina s.r.o.	625 85,207	Czech Republic	0	30	
Trelleborg Sealing Profiles Sweden AB	556026-2148	Trelleborg	12,000	100	
Trelleborg Wheel Systems Argentina S.A.	14362	Argentina	277,500	15	
Trelleborg Wheel Systems Germany GmbH	HRB 71478	Germany	0	100	
Trelleborg Sealing Solutions Germany GmbH	HRB 21275	Germany	0	100	
Trelleborg Holding Danmark A/S	1627 9196	Denmark	21,000	100	631
Trelleborg Holding France SAS	353 742307	France	744,444	100	1,448
Trelleborg Industrie SAS	391933397	France	690,340	100	1,110
Trelleborg Sealing Solutions France SAS	309,730,554	France	8,527	100	
Trelleborg Wheel Systems France SAS	410783492	France	9,060	100	
Trelleborg Holding Norge AS	943508186	Norway	10,000	100	C
Trelleborg Offshore Norway AS	941730566	Norway	27,000	100	
Trelleborg Holdings Italia S.r.I	LI-128316	Italy	0	100	671
Trelleborg Holdings Switzerland AG	CHE-101.230.069	Switzerland	100	100	201
Trelleborg Sealing Solutions Stein am Rhein AG	290.3.004.156-3	Switzerland	74	74	201
Trelleborg Holdings UK Ltd	03304377	U.K.	253,472,474	100	2,987
Trelleborg Sealing Solutions UK Ltd	446036	U.K.	10,050,000	100	2,001
Trelleborg Industrial Products UK Ltd	3847966	U.K.	75,000,001	100	
Trelleborg Offshore UK Ltd	1369166	U.K.	41,590	100	
Trelleborg Industri AB	556129-7267	Trelleborg	725,000	100	197
Trelleborg Industrial Products Finland Oy	0605887-9	Finland	100	100	137
Trelleborg Insurance Ltd	10412	Bermuda	50,000	100	118
Trelleborg International BV	02327837	Netherlands	50,000 41	100	3,150
Trelleborg Pipe Seals Lelystad BV	5026585	Netherlands	30,000	100	3,150
Trelleborg Ridderkerk BV	24000404	Netherlands	750	100	
HEHEDOLS LIGHTING IV DA	24000404	ivenierianus	130	100	
Trelleborg Wheel Systems Italia SpA	RM-907676	Italy	11,000	100	

102 ANNUAL REPORT 2016 TRELLEBORG AB GRI: G4-17

					Carrying amount,
Company	Registration number	Domicile/country	Number of shares	Ownership percent	SEK M
Trelleborg Marine Systems Japan KK	0100-01-095821	Japan	20	100	2
Trelleborg Material & Mixing Lesina s.r.o.	625 85,207	Czech Republic	0	70	11
Trelleborg Moulded Components Wuxi Holding AB	556715-4983	Trelleborg	1,000	100	29
Trelleborg Offshore & Construction AB	556055-7711	Trelleborg	1,250	100	22
Trelleborg Sealing Profiles Lithuanian UAB	302333896	Lithuania	2,021,040	100	8
Trelleborg Sealing Solutions Belgium SA	BE0440479473	Belgium	100	100	114
Trelleborg Sealing Solutions Bulgaria EOOD	1346/1998	Bulgaria	10,000	100	16
Trelleborg Sealing Solutions Czech s.r.o	48948764	Czech Republic	0	100	48
Trelleborg Sealing Solutions Finland Oy	0721679-5	Finland	15	100	75
Trelleborg Sealing Solutions Hong Kong Ltd	730579	Hong Kong	484,675	100	1
Trelleborg Sealing Solutions Hungary Kft	13-09-119761	Hungary	0	100	1
Trelleborg Sealing Solutions Japan KK	0106-01-011635	Japan	333	100	99
Trelleborg Sealing Solutions Kalmar AB	556325-7442	Kalmar	60,000	100	245
Trelleborg Sealing Solutions Korea Ltd	123-81-81886	South Korea	77,000	100	17
Trelleborg Sealing Solutions Russia 000	1087746852599	Russia	0	100	2
Trelleborg Sealing Solutions Pernik EOOD	175241703	Bulgaria	3,000	100	49
Trelleborg Sealing Solutions Polska Sp.z o.o.	0000100866	Poland	12,800	100	6
Trelleborg Sealing Solutions Sizdirmazlik Ürünleri Ithalat					
Ihracat Üretim ve Ticaret Limited Sirketi	816771	Turkey	42,200	100	7
Trelleborg Sealing Solutions Sweden AB	556204-8370	Jönköping	2,500	100	167
Trelleborg Sealing Solutions Switzerland SA	CH-550-0081017-2	Switzerland	1,000	100	47
Trelleborg Tigveni SRL	22964627	Romania	700	100	8
Trelleborg Treasury AB (publ)	556064-2646	Stockholm	5,000	100	15,001
Trelleborg Tyres Lanka (Private) Ltd	4395	Sri Lanka	16,272,537	100	91
Trelleborg Wheel Systems Argentina S.A.	14362	Argentina	1,572,500	85	0
Trelleborg Wheel Systems China Holdings AB	556739-6998	Trelleborg	1,000	100	64
Trelleborg Wheel Systems Liepaja LSEZ SIA	42103042763	Latvia	8,502,000	100	106
Trelleborg Wheel Systems Nordic AB	556056-2620	Trelleborg	40,000	100	10
TSS Silcotech Hong Kong Holding AB	556742-8775	Trelleborg	1,000	100	
Trelleborg Sealing Solutions Stein am Rhein AG	290.3.004.156-3	Switzerland	26	26	86
Total Parent Company					35,024

¹⁾ The table shows directly owned subsidiaries and indirectly owned companies with annual external sales exceeding sek 250 м.

15 Acquisitions

Accounting policies

The purchase method is used to recognize the Group's business combinations. The consideration for the acquisition of a subsidiary comprises the fair value of transferred assets, liabilities that the Group assumes from previous owners of the acquired company and the shares issued by the Group. The consideration also includes the fair value of all assets or liabilities that result from an agreement covering a contingent consideration. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the date of acquisition. For each acquisition, that is, on an acquisition-by-acquisition basis, the Group determines whether non-controlling interest in the acquired company is to be recognized at fair value or at the shareholding's proportional share in the carrying amount of the acquired company's identifiable net assets.

Acquisition-related costs are expensed as they arise.

If the business combination is completed in several steps, the previous equity interests in the acquired company are measured at fair value at the date of acquisition. Any gain or loss arising is recognized in profit and loss.

Each contingent consideration to be transferred by the Group is recognized at fair value at the date of acquisition. Subsequent changes to the fair value of a contingent consideration classed as an asset or liability are recognized in line with IAS 39, either in profit and loss or in other comprehensive income. Contingent considerations classed as equity are not remeasured and the subsequent settlement is recognized in equity.

Goodwill is initially measured as the amount by which the total purchase consideration and fair value of non-controlling interests exceeds the value of identifiable acquired assets and assumed liabilities. If the purchase consideration is lower than the fair value of the acquired company's net assets, the difference is recognized directly in profit and loss.

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.

2016

Acquisition of CGS Holding a.s.

A privately-owned company with leading positions in agricultural, industrial and specialty tires as well as engineered polymer solutions.

CGS Holding includes the businesses Mitas, Rubena and Savatech. Refer to page 25.

Acquisition of CGS

	Carrying	Adjustment to	Fair
SEK M	amount	fair value	value
Developed technology 1)		206	206
Trademarks ²⁾	5	1,296	1,301
Customer relationships 3)		1,164	1,164
Other intangible assets	15		15
Property, plant and equipment	2,284	-160	2,124
Deferred tax assets	30		30
Share of profit or loss in associated companies	67		67
Interest-bearing receivables	4		4
Inventories	906		906
Operating receivables	1,712		1,712
Current tax assets	34		34
Cash and cash equivalents	277		277
Deferred tax liabilities	-27	-228	-255
Interest-bearing liabilities	-15		-15
Pension obligations	-74		-74
Other provisions	-144		-144
Current tax liabilities	-101		-101
Operating liabilities	-1,468		-1,468
Net assets	3,505	2,278	5,783
Goodwill			5,094
Total purchase consideration			10,877
Cash and cash equivalents and other net debt in			
acquired operations			-266
Cash flow effect			10,611

- Surplus value of developed technology is amortized over a period of ten years.
- ²⁾ The value of trademarks is considered to have an indefinite useful life, which is why no amortization is conducted.
- $^{3)}$ The surplus value of customer relationships is amortized over a period of 15 years.

Goodwill totaling SEK 5,094 M relates to acquirer-specific synergies, the value of future new customers, the value of future new technologies and the workforce that exists in CGS. The fair value of acquired identifiable intangible assets is preliminary.

Other acquisitions, 2016

Acquisitions in the Trelleborg Industrial Solutions business area

Loggers Rubbertechniek B.V., a company that offers specially developed antivibration solutions, mainly for marine applications.

Schwab Vibration Control a supplier of components and systems for industrial antivibration.

Acquisitions in the Trelleborg Sealing Solutions business area

Specialty Silicone Fabricators Inc, a manufacturer of high-precision silicone components for the U.S. life science market.

Anderson Seal LLC, specialized in the distribution and service of seals, gaskets and custom-molded products.

Subsidiary of CoorsTek with operations in El Segundo, specializing in the manufacturing of precision seals for the aerospace industry.

Acquisitions in the Trelleborg Wheel Systems business area

International Tyre and Wheel Solutions Ltd, a distributor of large solid off-the-road (OTR) tires for the waste, recycling and demolition industries.

Other acquisitions

SEK M	Carrying amount	Adjustment to fair value	Fair value
Developed technology 1)		43	43
Trademarks 2)		109	109
Customer relationships 3)		823	823
Other intangible assets	4		4
Property, plant and equipment	427		427
Deferred tax assets	30		30
Interest-bearing receivables	10		10
Inventories	202		202
Operating receivables	191		191
Current tax assets	0		0
Cash and cash equivalents	106		106
Deferred tax liabilities	-14	-221	-235
Interest-bearing liabilities	-372		-372
Pension obligations	-34		-34
Other provisions	-19		-19
Current tax liabilities	-39		-39
Operating liabilities	-142		-142
Net assets	350	754	1,104
Goodwill			1,409
Total purchase consideration			2,513
Cash and cash equivalents and other net debt in acquired operations			256
Cash flow effect			2,769

- 1) Surplus value of developed technology is amortized over a period of ten years.
- 2) The majority has an indefinite useful life, and is thus not amortized, while a minor share is amortized over a period of eight years.
- 3) The surplus value of customer relationships is amortized over a period of 12-15 years.

The goodwill totaling SEK 1,409 M relating to "Other acquisitions" and recognized in 2016 is attributable to acquired non-separable customer relationships and synergy effects expected after the acquisition. The fair value of acquired, identifiable, intangible assets is provisional pending final measurement of these assets.

The purchase consideration for other acquisitions carried out during the year includes earn-out payments of $_{\text{SEK}}$ 65 M, which are based on future sales and earnings performance.

Business acquisitions for the year, CGS and other acquisitions, contributed SEK 3,386 M to reported net sales for the year. In a pro forma calculation including the acquired companies' net sales prior to acquisition, the contribution for full-year 2016 would amount to about SEK 6.6 M billion.

Acquisition-related costs of $_{\mbox{\footnotesize SEK}}$ 79 $_{\mbox{\footnotesize M}}$ are included in the consolidated income statement for 2016.

For more information about these acquisitions, refer to page 31.

The acquisition of Carolina Seal (refer to page 84) for which the agreement was signed after the close of the period, is not of a significant nature.

2015

Acquisitions in the Trelleborg Coated Systems business area

An operation in Austria offering conversion of coated fabrics and printing blanket sales.

Acquisitions in the Trelleborg Offshore & Construction business area

Marimatech A/S, a company in marine surveying and monitoring systems.

Maritime International, a company that designs and manufactures marine fender systems and other quay accessories.

Acquisitions in the Trelleborg Sealing Solutions business area

The remaining 50 percent of the shares in Trelleborg Sealing Solutions Silcotech Bulgaria OOD.

Acquisitions in the Trelleborg Wheel Systems business area

D.G. Manutention Services SAS whose business specializes in the distribution and service of industrial tires.

Armstrong Tyres, an Australian service and distribution company of agricultural tires.

The remaining 40 percent of the shares in Trelleborg Industrial Tyres Mexico SA de CV.

Standard Tyres Group, a Brazil-based privately-owned company which produces industrial tires.

Acquisitions

	Carrying	Adjustment	Fair
SEK M	amount	to fair value	value
Customer relationships		15	15
Property, plant and equipment	48		48
Deferred tax assets	5		5
Interest-bearing receivables	1		1
Inventories	57		57
Operating receivables	104		104
Cash and cash equivalents	21		21
Non-controlling interests	20		20
Deferred tax liabilities		-1	-1
Interest-bearing liabilities	-41		-41
Pension obligations	-13		-13
Other provisions	-17		-17
Operating liabilities	-72		-72
Net assets	113	14	127
Goodwill			535
Total purchase consideration			662
Cash and cash equivalents and other net debt in			
acquired operations			19
Cash flow effect			681

Operating assets and liabilities

16 Property, plant and equipment

Accounting policies

Non-current assets comprise amounts expected to be recovered or paid more than 12 months from the closing date. PPE primarily encompasses plants and buildings. PPE is 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.

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 the future economic benefits associated with the asset will flow to the Group and the 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.

Depreciation is applied until the estimated residual value is reached. 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
Equipment and tools 33 percent
Office equipment 10-20 percent

The residual value and useful life of the assets are assessed on each closing 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.

Gains and losses on disposals 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 expenses, respectively.

Lease contracts for non-current assets 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 leases are recognized on the basis of the leased asset's fair value, or at the present value of the lease payments, whichever is lower. The leased asset is recognized as a non-current asset. Each lease payment is divided 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. Non-current assets held under finance lease agreements are depreciated in accordance with the same principles applicable to other assets of the same type, according to plan, or over the leasing period if it is shorter and the right of ownership is not expected to be transferred at the end of the leasing period.

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

Property, plant and equipment (PPE)

SEK M	2016	2015
Buildings	2,779	1,524
Land and land improvements	996	469
Plant and machinery	4,238	2,958
Equipment, tools, fixtures and fittings	569	473
New construction in progress and advance payments	853	1,022
Total	9,435	6,446

PPE by operating segment

SEK M	2016	2015
Trelleborg Coated Systems	721	752
Trelleborg Industrial Solutions	1,210	1,117
Trelleborg Offshore & Construction	942	857
Trelleborg Sealing Solutions	1,974	1,515
Trelleborg Wheel Systems	3,413	1,788
Rubena Savatech	719	-
Group items	456	417
Total	9,435	6,446

Depreciation of PPE by function

SEK M	2016	2015
Cost of goods sold	-751	-634
Selling expenses	-19	-17
Administrative expenses	-67	-53
Research & development costs	-21	-17
Other operating expenses	-10	-5
Total	-868	-726

Impairment of PPE by function

	Impairmer	nt losses	Reversed impairment losses		
SEK M	2016	2015	2016	2015	
Cost of goods sold	0	-2	4	1	
Other operating expenses	-127	-20	-	-	
Total	-127	-22	4	1	
Of which discontinuing operations	-69	-	-	_	
Continuing operations 1)	-58	-22	4	1	

¹⁾ For 2016, relates to impairment primarily of assets in the Trelleborg Offshore & Construction business area.

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 $\mbox{sek}~2~\mbox{m}$ (2). Future lease payments for financial lease agreements fall due as follows:

SEK M	2016	2015
Year 1	2	2
Years 2–5	3	3
Later than 5 years	0	0

Leasing costs for assets held via operating lease agreements are recognized as operating costs and amounted to SEK 177 M (174). Future payment commitments for non-cancelable lease agreements amounted to SEK 1,115 M (1,079) and fall due as follows:

SEK M	2016	2015
Year 1	159	152
Years 2–5	416	359
Later than 5 years	540	568

	Buildi	ngs	Land and improve		Plant machi		Equipn tools, fi and fit	ctures	New const in progre advance pa	ss and	Tota property and equi	, plant
SEK M	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Accumulated cost 1)	5,529	3,202	1,044	517	14,445	9,537	2,413	1,827	895	1,050	24,326	16,133
Accumulated depreciation according to plan ¹⁾	-2,522	-1,524	-41	-41	-10,010	-6,429	-1,837	-1,342	-24	-27	-14,434	-9,363
Accumulated revaluations	14	14	13	13	3	3	-	-	-	-	30	30
Accumulated impairment losses	-242	-168	-20	-20	-200	-153	-7	-12	-18	-1	-487	-354
Carrying amount	2,779	1,524	996	469	4,238	2,958	569	473	853	1,022	9,435	6,446
Balance, January 1	1,524	1,588	469	498	2,958	2,875	473	425	1,022	702	6,446	6,088
Acquisitions	1,044	-12	464	-3	908	13	84	39	51	11	2,551	48
Divested operations	-	-27	-	-	-	0	-	-	-	-	-	-27
Capital expenditures	100	47	11	4	265	220	90	97	608	873	1,074	1,241
Capital expenditures, financial leasing	-	-	-	-	1	2	-	4	-	-	1	6
Divestments and disposals	-6	-38	-3	-7	-23	-11	-4	-6	-5	-1	-41	-63
Depreciation according to plan for the year	-141	-109	-3	-4	-590	-484	-134	-129	0	0	-868	-726
Impairment losses for the year, continuing operations	-10	0	_	-3	-41	-15	-1	-4	-6	_	-58	-22
Impairment losses for the year, discontinuing operations	-69	_	_	_	_	_	_	_	_	_	-69	_
Reversed impairment losses	-	1	-	-	4	0	-	0	_	-	4	1
Reclassifications	205	100	23	-5	612	382	39	58	-888	-557	-9	-22
Translation difference for the year	132	-26	35	-11	144	-24	22	-11	71	-6	404	-78
Carrying amount	2,779	1,524	996	469	4,238	2,958	569	473	853	1,022	9,435	6,446

¹⁾ For the companies acquired in 2016, the amounts in the table above were recognized gross on the lines accumulated cost and accumulated depreciation according to plan.

17 Intangible assets

Accounting policies

Intangible assets primarily comprise goodwill and patents, brands and licenses, and are measured at cost less accumulated amortization and, where applicable, impairment losses. Subsequent expenditure for an intangible asset is added at 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 accrue to the Group and the cost of the asset can be reliably measured. Other expenditure is expensed as incurred.

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 acquisitions of subsidiaries is recognized as an intangible asset. Goodwill on acquisition of joint ventures/associated companies is included in the value of the investment in the associated company and is tested, taking into account 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 business combination giving rise to the goodwill item. These cash-generating units comprise the Group's investments in each primary segment.

Research and development

Expenditure for research and development 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 are available to complete the development and to utilize or sell the intangible asset, 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. Other intangible assets are amortized straight line over their useful life, normally five to 15 years.

Impairment testing

Assets with an indefinite useful life, for example goodwill, are not amortized but are 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 expenses and value in use. Value in use refers 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.

Critical estimates and judgments

The impairment requirement for goodwill implies that goodwill is tested annually in conjunction with the year-end financial statements, or as soon as changes indicate that a risk of impairment exists, such as when the business climate changes or a decision is made on the divestment or closure of an operation.

The recoverable amount has been determined on the basis of calculations of value in use. These calculations are based on internal budgets and forecasts of the next five years. The most important assessments relate to sales growth during the forecast period and the EBIT margin trend. The assessments of management are based on both historical experience and current information relating to the market trend. Following the forecast period, the cash flows were extrapolated using an assumed sustainable rate of growth of 2 percent (2), which is in line with the assessed sustainable growth rate in the respective market. Changes in working capital and in capital expenditure requirements have also been taken into account. Projected future cash flows according to these assessments thus form the basis for the calculation. When calculating the present value of future cash flows, a weighted average cost of capital (WACC) of 7.15 percent

(8.00) after tax was applied to all business areas. Since all of the segments have a similar risk profile and operate in the same markets, the risk in the cash flows is similar, which justifies use of the same return requirement. Reconciliation was also conducted against an external assessment of a reasonable cost of capital. The debt/equity ratio was assumed to be 75 percent (75).

Calculations indicated no need for impairment in any of the business areas. A sensitivity analysis shows that, with a rate of growth reduced by 50 percent beyond the next five years or an increase in the WACC of 1 percentage point to 8.15 percent after tax, there would still be no need for impairment for any of the business areas.

For the Trelleborg Offshore & Construction business area, which is impacted by lower activity primarily in oil & gas, the sensitivity analysis indicates significantly reduced headroom. With an annual rate of growth beyond the next five years of 0.5 percent or a WACC of 8.30 percent, the recoverable amount corresponds to the carrying amount for the Trelleborg Offshore & Construction business area. Activities to adapt the organization to the prevailing market situation are ongoing, which will improve the conditions for positive development for the business area.

Intangible assets

SEK M	2016	2015
Capitalized expenditure for development work	383	139
Capitalized expenditure for IT	162	137
Concessions, patents, licenses, trademarks and similar rights	1,879	412
Goodwill	18,185	10,910
Market and customer-related intangible assets	2,510	562
Advance payments related to intangible assets	84	67
Total	23,203	12,227

Intangible assets by operating segment

	Goodwill Other assets		ssets	Total			
SEK M	2016	2015	2016	2015	2016	2015	
Trelleborg Coated Systems	2,101	1,937	748	728	2,849	2,665	
Trelleborg Industrial Solutions	1,792	1,311	698	283	2,490	1,594	
Trelleborg Offshore & Construction	1,435	1,386	110	74	1,545	1,460	
Trelleborg Sealing Solutions	6,627	5,400	532	57	7,159	5,457	
Trelleborg Wheel Systems	5,200	877	2,348	168	7,548	1,045	
Rubena Savatech	1,032	-	570	-	1,602	-	
Group items	-2	-1	12	7	10	6	
Total	18,185	10,910	5,018	1,317	23,203	12,227	

In addition to goodwill, the Group has trademarks totaling sex 1,798 $\rm M$ (339) with non-finite useful lives.

	Capital expendit developme	ure for	Capita expenditu		Concessions licenses tradem	s and	Good	will	Market customer- intangible	related	Advance pay related intangible a	to	Total inta	•
SEK M	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Accumulated cost 1)	456	184	609	516	2,437	740	18,505	11,232	2,712	644	94	78	24,813	13,394
Accumulated amortization according to plan ¹⁾	-73	-45	-447	-379	-554	-324	-98	-97	-202	-82	-10	-11	-1,384	-938
Accumulated impairment losses	-	-	-	-	-4	-4	-222	-225	-	-	_	-	-226	-229
Carrying amount	383	139	162	137	1,879	412	18,185	10,910	2,510	562	84	67	23,203	12,227
Balance, January 1	139	138	137	122	412	405	10,910	10,485	562	581	67	70	12,227	11,801
Acquisitions	249	-	2	-	1,415	0	6,503	535	1,987	15	12	-	10,168	550
Divested operations	-	-	-	-	-	-	-	-3	-	-	-	-	-	-3
Capital expenditures	10	12	20	19	1	19	-	-	-	0	43	23	74	73
Divestments and disposals	_	_	0	_	_	_	_	_	_	_	_	0	0	0
Amortization according to plan for the year	-27	-13	-41	-37	-21	-15	_	_	-114	-42	_	_	-203	-107
Impairment losses for the year	_	_	_	_	_	_	_	-9	_	_	_	_	_	-9
Reclassifications	_	_	39	33	12	11	_	1	_	0	-42	-23	9	22
Translation difference for														
the year	12	2	5	0	60	-8	772	-99	75	8	4	-3	928	-100
Carrying amount	383	139	162	137	1,879	412	18,185	10,910	2,510	562	84	67	23,203	12,227
Amortization for the year, by function														
Cost of goods sold	-13	-1	-7	-9	-7	-4	-	-	-46	-1	-	-	-73	-15
Selling expenses	-	-	-3	-3	-2	-1	-	-	-7	-2	-	-	-12	-6
Administrative expenses	0	-1	-30	-24	-8	-7	-	-	-4	-2	-	-	-42	-34
Research & development costs	-1	-1	-1	-1	-3	-2	-	-	_	_	_	-	-5	-4
Other operating expenses	-13	-10	0	0	-1	-1	-	-	-57	-37	_	-	-71	-48
Total amortization	-27	-13	-41	-37	-21	-15	_	_	-114	-42	_	_	-203	-107

¹⁾ For the companies acquired in 2016, the amounts in the table above were recognized gross on the lines accumulated cost and accumulated amortization according to plan.

18 Inventories

Accounting policies

Inventories are measured at the lower of cost and net realizable value on the closing 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.

Critical estimates and judgments

The net realizable value is calculated as the estimated selling price less applicable variable selling expenses. Deductions are made for internal gains generated through intra-Group sales.

SEK M	2016	2015
Raw materials and consumables	1,340	970
Work in progress	558	433
Finished products and goods for resale	3,116	2,340
Contracted work in progress	28	12
Advances to suppliers	18	3
Total	5,060	3,758

Impairment of obsolete inventories amounted to sek 434 $\mbox{\scriptsize M}$ (350).

19 Current operating receivables

Accounting policies

Accounts receivable

Accounts receivable are financial assets that are not derivatives with fixed or determinable payments, and which are not quoted in an active market. Accounts receivable are initially measured at fair value and, subsequently, at amortized cost by applying the effective interest method, less any provisions for impairment.

A bad debt provision is established when there is objective evidence that the Group will not be able to secure all amounts maturing in accordance with the original conditions of the receivable. The size of the provision comprises the difference between the 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 value depletion account and the loss is recognized under the item "Selling expenses". When a receivable cannot be collected, it is eliminated against the value depletion account for receivables. The reversal of amounts that were previously eliminated is credited under the item "Selling expenses" in the income statement.

Critical estimates and judgments

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 are all considered to be indications that a bad debt provision may be required.

SEK M	2016	2015
Accounts receivable	4,824	3,611
Provision for bad debts	-85	-74
Bills receivable	88	92
Operating receivables, joint ventures/associated companies	2	20
Other current receivables	505	437
Derivative instruments (Note 30)	-7	-5
Prepaid expenses and accrued income (Note 20)	607	687
Total	5,934	4,768

Age analysis of accounts receivable

SEK M	2016	2015
Receivable not yet due	4,129	3,032
Due, but not impaired:		
<30 days	445	335
31-60 days	87	83
61-90 days	27	31
>90 days	136	130
Total	4,824	3,611
Provision for bad debts	-85	-74
Total	4,739	3,537

Provision for bad debts

SEK M	2016	2015
Opening balance	74	68
New provisions recognized in profit and loss	21	23
Utilization of reserve attributable to identified bad debt loss	-10	-8
Reversals recognized in profit and loss	-10	-8
Acquisitions/divestments	5	0
Translation difference	5	-1
Closing balance	85	74

20 Prepaid expenses and accrued income

SEK M	2016	2015
Interest	1	2
Pension costs	9	8
Tools	22	25
Derivative instruments (Note 30)	21	13
Accrued income	294	406
Prepaid insurance	31	20
Rents	27	29
Other	202	184
Total	607	687

21 Accrued expenses and prepaid income

SEK M	2016	2015
Interest	21	15
Wages and salaries	664	607
Payroll overheads	128	121
Pension costs	15	17
Tools	9	11
Derivative instruments (Note 30)	63	28
Other	764	662
Total	1,664	1,461

22 Non-interest-bearing liabilities

Accounting policies

Accounts payable are initially recognized at fair value and, thereafter, at amortized cost using the effective interest method.

Other non-current liabilities

SEK M	2016	2015
Other non-interest-bearing liabilities	19	20
Derivative instruments (Note 30)	122	118
Total	141	138

Other current liabilities

SEK M	2016	2015
Advance payment from customers	120	101
Accounts payable	2,699	2,118
Bills payable	9	42
Liabilities to joint ventures/associated companies		1
Other non-interest-bearing liabilities		297
Derivative instruments (Note 30)		236
Accrued expenses and prepaid income (Note 21)		1,461
Total	4,997	4,256
Total non-interest-bearing liabilities	5,138	4,394

23 Other provisions

Accounting policies

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 in a reliable manner. No provisions are made for future operating losses. Provisions are made for environmental activities related to earlier operations when it is probable that a payment liability will arise and when the amount can be estimated with reasonable precision. Provisions are divided into non-current and current provisions.

The provision for restructuring primarily covers costs relating to severance pay and other costs affecting cash flow arising in conjunction with restructuring the Group's operations. Provisions are established when a detailed, formal plan for measures to be undertaken has been established and valid expectations have been raised by those who will be affected by such measures.

Critical estimates and judgments

The amount of provisions for restructuring is based on assumptions and estimations regarding the point in time and cost for future activities, such as the amount of severance payments or other obligations in connection with termination of employment. Calculations of this type of cost are based on the particular situation in the negotiations with the parties concerned.

The Group is involved in a number of disputes and legal proceedings within the framework of its operating activities. Management engages both external and internal legal expertise in these matters. According to assessments made, the Group is not involved in any legal disputes that could entail any major negative effect on the operations or on the financial position.

	Restruc progr		Oth provis		Tota	al
SEK M	2016	2015	2016	2015	2016	2015
Opening balance	94	74	298	253	392	327
Reclassification	-	-	-3	-16	-3	-16
Reversals	-	0	-36	-21	-36	-21
Provisions for the year	49	108	230	127	279	235
Acquisitions for the year	-	-	173	17	173	17
Utilized during the year	-81	-87	-191	-56	-272	-143
Translation difference	4	-1	18	-6	22	-7
Closing balance	66	94	489	298	555	392
Of which, non-current provisions					221	121
Of which, current provisions					334	271

Closing balances for restructuring programs relate primarily to reorganizations and the focusing of operations in Trelleborg Coated Systems, Trelleborg Offshore & Construction and Trelleborg Industrial Solutions.

Closing balances for other provisions relate primarily to environmental commitments and guarantee provisions.

Capital structure and financing

24 Cash and cash equivalents

Accounting policies

Cash and cash equivalents consist of cash balances and balances with banks and other institutes maturing within three months from the date of acquisition, as well as short-term liquid investments with a maturity, from the date of acquisition, of less than three months, and which are exposed to a minimal risk of fluctuations in value.

SEK M	2016	2015
Current bank investments	414	1,253
Cash and bank balances	1,465	1,299
Total	1,879	2,552

The fair value of cash and cash equivalents corresponds to the carrying amount. Current bank investments in 2015 include placements from dividends received from Vibracoustic. For more information about credit exposure in cash and cash equivalents, see Note 31.

25 Financial non-current assets

Accounting policies

Loan receivables are financial assets that are not derivatives with fixed or determinable payments, and which are not quoted in an active market. Loan receivables are initially measured at fair value and, subsequently, at amortized cost by applying the effective interest method, less any provisions for impairment.

Impairment of financial assets

At the end of each reporting period, the Group tests 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 resulting from the occurrence of one or more events after the asset was initially recognized (a "loss event") and if 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.

SEK M	2016	2015
Plan assets	20	27
Loan receivables	351	146
Derivative instruments (Note 30)	-	11
Other non-current receivables	37	41
Total	408	225

The majority of the receivables in the table above, recognized at fair value, is linked to Vibracoustic's realized sales development in 2016 and 2017. Refer to Note 29.

For other non-current receivables, the carrying amount is considered to correspond to the fair value.

26 Interest-bearing receivables

SEK M	2016	2015
Loan receivables	364	8
Derivative instruments (Note 30)	240	249
Current bank investments	174	136
Total	778	393

The majority of the receivables in the table above, recognized at fair value, is linked to Vibracoustic's realized sales development in 2016 and 2017. Refer to Note 29. Derivative instruments are recognized at fair value.

For current bank investments, the carrying amount is considered to correspond to the fair value.

27 Equity

Accounting policies

Costs arising in connection with new share issues and the repurchase of equity instruments 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 canceled, the share capital is reduced by an amount corresponding to the par value of the shares and profit brought forward is increased by the corresponding amount.

Specification of other reserves

	Hedging reserve		Translation reserve		Total	
SEK M	2016	2015	2016	2015	2016	2015
Opening balance, translation differences	-289	-108	-138	339	-427	231
Cash-flow hedging						
Fair value	160	-216			160	-216
Tax on fair value	4	3			4	3
Transfers to profit and loss	5	41			5	41
Tax on transfers to profit and loss	-1	-9			-1	-9
Changes for the year attributable to translation of companies after tax			1,538	-452	1,538	-452
Hedging of net investment after tax			-392	-25	-392	-25
Closing balance	-121	-289	1,008	-138	887	-427

Accumulated translation differences are recognized from January 1, 2004.

Of transfers from the hedging reserve to profit and loss during 2016, sek 0 M (4) caused a deterioration in the Group's financial interest expenses and sek 5 M (37) caused a deterioration in EBIT. These effects are offset by earnings effects from the hedged items.

The Board of Directors and President propose that a dividend of SEK 4.25 (4.00) per share to be paid, totaling SEK 1,152 M (1,084).

Trelleborg AB's share capital at December 31, 2016 amounted to sex 2,620,360,569, represented by 271,071,783 shares with a par value of sex 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
Total	271,071,783	100.00	527,571,783	100.00

Change in total number of shares	2016	2015
January 1	271,071,783	271,071,783
Change during the year	-	_
December 31	271,071,783	271,071,783

No treasury shares are held.

28 Interest-bearing liabilities

Accounting policies

Borrowings are initially measured 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 noncurrent or current liabilities in the balance sheet.

Interest-bearing non-current liabilities

SEK M	2016	2015
Liabilities to credit institutions	9,719	5,267
Other interest-bearing liabilities	114	35
Derivative instruments (Note 30)	19	0
Total	9.852	5.302

Interest-bearing current liabilities

SEK M	2016	2015
Liabilities to credit institutions	4,914	3,917
Bank overdraft facilities	52	6
Other interest-bearing liabilities	106	25
Derivative instruments (Note 30)	210	129
Total	5,282	4,077
Total interest-bearing liabilities	15.134	9.379

The Group's interest-bearing liabilities are mostly subject to variable interest rates. Credit margins applicable to Trelleborg in the money and debt capital markets are regularly monitored and are deemed to have remained substantially stable. The fair value of the Group's interest-bearing liabilities is thus deemed to correspond to the carrying amount.

The Group's outstanding interest-bearing liabilities at year-end 2016, adjusted for any derivative financial instruments, have the following currency distribution, effective interest rates and fixed-interest terms

	Amount SEK M		Effective int	,	Fixed-interest term adjusted for any derivatives. No. of days		
	2016	2015	2016	2015	2016	2015	
EUR	7,004	4,298	1.2	2.2	790	614	
GBP	390	188	2.3	3.9	814	2,255	
SEK	2,760	1,395	1.0	0.9	554	575	
USD	5,752	3,344	2.6	2.4	568	1,011	
Other	-772	154	1.6	5.5	46	65	
Total	15,134	9,379	1.7	2.2	701	775	

The Group's interest-bearing liabilities (utilized amounts at closing date)

	2	2016		015
	SEK M	Expiry, year	SEK M	Expiry, year
Non-current				
Syndicated Ioan, EUR tranche EUR 714 M	2,279	2020	-	2020
Syndicated loan, USD tranche USD 563 M	1,471	2020	1,425	2020
Syndicated Ioan, EUR tranche EUR 36 M	115	2019	_	2019
Syndicated loan, USD tranche USD 62 M	163	2019	158	2019
Medium Term Note SEK 550 M	549	2021	549	2021
Medium Term Note SEK 450 M	449	2021	449	2021
Medium Term Note SEK 300 M	300	2022	300	2022
Medium Term Note SEK 200 M	200	2022	_	-
Medium Term Note SEK 300 M	300	2023	-	-
Medium Term Note EUR 50 M	479	2018	457	2018
Medium Term Note EUR 50 M	478	2021	-	-
Medium Term Note EUR 45 M	431	2021	411	2021
Medium Term Note EUR 110 M	_	-	1,006	2017
Schuldscheindarlehen EUR 41 M + EUR 14 M	527	2019	503	2019
Schuldscheindarlehen EUR 24.5 M + EUR 55 M	761	2021	_	_
Schuldscheindarlehen EUR 77 M + EUR 20 M	929	2023	_	-
Schuldscheindarlehen EUR 29 M	278	2026	_	_
Capitalized borrowing costs	-42	2018-2026	-66	2017-2021
Other interest-bearing liabilities	166	2018	110	2017
Derivative instruments	19	2018	-	-
Total non-current	9,852		5,302	
Current				
Commercial paper program	3,143	2017	2,408	2016
Medium Term Note EUR 110 M	1,053	2017	-	-
Bank overdraft facilities	52	2017	6	2016
Other current loans	718	2017	1,509	2016
Other interest-bearing liabilities	106	2017	25	2016
Derivative instruments	210	2017	129	2016
Total current	5,282		4,077	
Total	15,134		9,379	

Committed confirmed and uncommitted confirmed loan facilities*

		2016			2015	
SEK M	Total	Utilized	Unutilized	Total	Utilized	Unutilized
Committed confirmed loan facilities						
Syndicated Ioan EUR 714 M + USD 563 M (expires 2020)	11,955	3,750	8,205	11,228	1,425	9,803
Syndicated Ioan EUR 36 M + USD 62 M (expires 2019)	914	278	636	851	158	693
Multicurrency Term Facility EUR 725 M + USD 300 M						
(expired 2017)	-	-	-	9,136	-	9,136
Bilateral credit facilities	718	718	-	1,509	1,509	-
Overdraft facilities						
(expires 2017)	386	16	370	458	-	458
Total	13,973	4,762	9,211	23,182	3,092	20,090
Uncommitted confirmed loan facilities						
Bank overdraft facilities	1,535	36	1,499	1,353	6	1,347

The EUR 750 M and USD 625 M syndicated loan, most of which matures in 2020, is subject to one financial covenant that stipulates a maximum debt/equity ratio. At year-end 2016, there was ample headroom in relation to this covenant.

* Loan facilities are defined as committed confirmed if they are confirmed in writing and subject to a firm commitment to lend by the facility provider. Loan facilities are defined as uncommitted confirmed if they are confirmed in writing but not subject to a firm commitment to lend by the facility provider.

29

Financial instruments by category and measurement level

Accounting policies

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 extinguished.

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 closing date, the Group tests whether any financial assets 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, loan receivables and accounts receivable 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 recognition of the instrument and is reassessed on each subsequent reporting occasion.

Financial assets at fair value through profit and loss

This category comprises both financial assets held for trading and assets designated in this category from the date of the investment that is to be measured 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 closing date. Financial assets at fair value through profit and loss are measured at fair value, both initially and subsequent to the date of acquisition, while associated transaction costs are recognized in profit and loss. Gains and losses attributable to changes in fair value are recognized in 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 in profit and loss as a financial item. Only derivatives were recognized in this category during the year.

Calculation of fair value

The fair value of listed financial instruments is based on the appropriate market quotation on the closing date. For unlisted financial instruments, or if the market of a certain financial asset is not active, the value is determined by applying recognized measurement techniques, whereby the Group makes assumptions that are based on the market conditions prevailing on the closing 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 measured at the exchange rate prevailing on the closing date. Exchange rate differences on operating receivables and operating liabilities are included in EBIT, while exchange rate differences on financial receivables and liabilities are classified as financial items. See also Note 1 for translation of foreign currencies.

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 net, or simultaneously realize the asset and settle the liability. This legal right may not be dependent on future events and it must be legally binding for the company and the counterparty in the normal business operations and also in the event of payment cancellation, insolvency or bankruptcy.

To limit credit risks in receivables from banks related to derivative instruments, Trelleborg has entered into netting agreements, under ISDA agreements, with most of its counterparties.

Other financial instruments

Accounting policies for the financial instruments not addressed here can be found under the relevant note.

A description of how fair value is calculated is provided under the table.

At December 31, 2016		Assets at fair value in profit and loss		Derivativ for hedging		
SEK M	Loan receivable and accounts receivable	Carrying amount	Measure- ment level	Carrying amount	Measure- ment level	Total SEK M
Assets in the balance sheet						
Derivative instruments	-	48	2	206	2	254
Financial non-current assets	3	348	3	_		351
Accounts receivable	4,739	_		_		4,739
Interest-bearing receivables	181	357	3	-		538
Cash and cash equivalents	1,879	_		_		1,879
Total	6,802	753		206		7,761

At December 31, 2016	Other	Liabilities a in profit		Derivatives used for hedging purposes		
SEK M	financial liabilities	Carrying amount	Measure- ment level	Carrying amount	Measure- ment level	Total SEK M
Liabilities in the balance sheet						
Derivative instruments	-	237	2	227	2	464
Interest-bearing non-current liabilities	9,833	_		_		9,833
Interest-bearing current liabilities	5,072	_		_		5,072
Accounts payable	2,699	-		-		2,699
Total	17,604	237		227		18,068

The receivable linked to Vibracoustic's realized sales development in 2016 and 2017 was classified as Level 3 in the fair-value hierarchy due to the content of unobservable inputs, including the counterparty's credit risk.

Essentially all other financial assets and liabilities fair valued at the balance sheet date are based on observable data (Level 2 in accordance with the fair-value hierarchy).

Measurement techniques used to measure fair values in Level 2

Derivatives in Level 2 comprise foreign-exchange forwards and interest rate swaps, and are primarily used for hedging purposes, but also for own trading. Fair-value measurement for foreign-exchange forwards is based on published forward rates in an active market. Measurement of interest rate swaps is based on forward interest rates based on observable yield curves. Discounting has no significant impact on the measurement of derivatives in Level 2.

Disclosures on fair value of borrowing and other financial instruments

The Group's interest-bearing liabilities are mostly subject to variable interest rates. Credit margins applicable to Trelleborg in the money and debt capital markets are regularly monitored and are deemed to have remained substantially stable. The fair value of the Group's interest-bearing liabilities is thus deemed to correspond to the carrying amount. The fair value of other financial instruments is also deemed to correspond to their carrying amounts.

At December 31, 2015			Assets at fair value in profit and loss		Derivatives used for hedging purposes		
SEK M	Loan receivable and accounts receivable	Carrying amount	Measure- ment level	Carrying amount	Measure- ment level	Total sek m	
Assets in the balance sheet							
Derivative instruments	-	97	2	171	2	268	
Financial non-current assets	146	_		_		146	
Accounts receivable Interest-bearing	3,537	-		-		3,537	
receivables	144	-		-		144	
Cash and cash equivalents	2,552	_		_		2,552	
Total	6,379	97		171		6,647	

At December 31, 2015				Derivatives used for hedging purposes			
SEK M	Other financial liabilities	Carrying amount	Measure- ment level	Carrying amount	Measure- ment level	Total sek m	
Liabilities in the balance sheet							
Derivative instruments	-	134	2	377	2	511	
Interest-bearing non-current liabilities	5,302	_		_		5,302	
Interest-bearing current							
liabilities	3,948	-		-		3,948	
Accounts payable	2,118	_		-		2,118	
Total	11,368	134		377		11,879	

Offsetting of financial derivative instruments

To limit credit risks in receivables from banks related to derivative instruments, Trelleborg has entered into netting agreements, under ISDA agreements, with most of its counterparties.

The disclosures in the table below include financial assets and liabilities that are subject to legally binding framework agreements on netting or similar agreements that cover financial instruments.

	At December 31, 2016 Financial Financial			At Dec Financial	2015	
SEK M	assets	liabilities	Total	assets	liabilities	Total
Gross amount	254	-464	-210	268	-511	-243
Amount offset	-	-	-	-	-	-
Recognized in balance						
sheet	254	-464	-210	268	-511	-243
Amounts encompassed by						
netting agreements	-196	196	0	-222	222	0
Net amount after netting						
agreements	58	-268	-210	46	-289	-243

30 Financial derivative instruments

Accounting policies

Derivatives are recognized in the balance sheet from the contract date and are measured at fair value, both initially and in subsequent remeasurement. The method for recognizing the gains or losses arising in connection with remeasurement 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 measured at fair value through profit and loss. Gains and losses resulting from changes in fair value are recognized as financial items in profit and loss in the period in which they occur.

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, foreign exchange forwards and basis swaps. 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 and basis swaps are used to secure the desired financing adapted to the subsidiaries' currencies. Interest rate swaps, basis swaps, FRAs or other comparable instruments are used to obtain the desired fixed-interest terms. Foreign-exchange forwards and currency options are financial derivative instruments used to hedge currency exposure in both fixed commercial undertakings and calculated future commercial flows.

Investments in foreign subsidiaries and joint ventures/associated companies may be hedged. Hedging is effected mainly through corresponding borrowing in the same currency, but may also be secured through forward 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	2016	2015
Financial non-current assets	-	11
Prepaid expenses and accrued income	21	13
Other current receivables	-7	-5
Interest-bearing receivables	240	249
Total receivables, financial derivatives	254	268
Other non-current liabilities	122	118
Non-current interest-bearing liabilities	19	0
Accrued expenses and prepaid income	63	28
Other current liabilities	50	236
Interest-bearing liabilities	210	129
Total liabilities, financial derivatives	464	511

For credit exposure in derivatives, see Note 31.

SEK M	2010	6	201	5
Type and purpose of Group's financial derivative instruments	Assets Fair value	Liabilities Fair value	Assets Fair value	Liabilities Fair value
Interest rate swaps – cash-flow hedging	_	161	4	148
Foreign-exchange forwards – cash-flow hedging	20	66	11	229
Foreign-exchange forwards – net investment hedging	186	-	156	0
Basis swap contracts – financing of subsidiaries	1	24	8	7
Foreign-exchange forwards – financing of subsidiaries	47	213	89	127
Total	254	464	268	511

The nominal amount of interest-rate swaps outstanding totaled s_{EK} 7,009 M (6,407). The nominal amount for foreign-exchange contracts is reflected by the undiscounted cash flows for foreign-exchange contracts recognized gross in Note 31.

Derivatives with hedge accounting

Cash-flow hedging - Interest rate swaps

In the closing balance of the hedging reserve in equity, a negative SEK 130 M (neg: 116) before tax relates to the fair value of interest rate swaps.

At unchanged interest and exchange rates, a transfer will take place in profit or loss of SEK 8 M in 2017, of SEK 26 M in 2018, of SEK 5 M in 2019, of SEK 28 M in 2020, of SEK 15 M in 2021, of SEK 27 M in 2022, of SEK 9 M in 2023, of SEK 10 M in 2024 and of SEK 1 M in 2025. These effects will be offset by the earnings effects of the hedged items.

Cash-flow hedges - foreign-exchange forwards

The fair-value closing balance of cash-flow hedges relating to foreign-exchange forwards attributable to transaction exposure and recognized in the hedging reserve amounted to a negative net of SEK $27 \,\mathrm{m}$ (neg: 5).

At unchanged exchange rates, a transfer of negative $\sec 27$ m will be made in profit or loss in 2017, which will be offset by the earnings effects from the hedged transactions.

Sensitivity analysis - Financial instruments

Sensitivity analyses relating to interest-rate risks and translation exposure are presented in Note 31.

If cash-flow hedges related to transaction exposure were valued using exchange rates applicable on December 31, 2015, the fair value would amount to SEK 51 M (29), of which SEK 51 M (16) would be included in the hedging reserve.

Taking into account implemented hedging measures, the Group has no currency risk in other financial receivables and liabilities in foreign currencies.

Financial risks

31 Financial risk management

Accounting policies

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 terms of offsetting changes in the fair value of the hedged items or in terms of 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 not meeting 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 other comprehensive income. The gain or loss attributable to any ineffective portion is recognized directly in EBIT 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/loss 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 the required interest rate 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 or foreign-exchange forward contracts 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 with certain subsidiaries where the loans represent a permanent part 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 are hedged. Loans and hedges are recognized at the closing rate, with exchange rate differences on these loans and hedging instruments 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 profit and loss 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."

Financing risks and liquidity risks

Financial risks mainly include financing risks, liquidity risks, interest rate risks, foreign exchange risks and financial credit risks. A description of the Group's financial risks and the policy applied to each risk area is presented below. Commentary is also provided on the outcome for the year for each risk area.

Risk

Financing risk is the risk that the refinancing of maturing loans may become difficult or costly. Liquidity risks refer to the risk of not being able to fulfill payment obligations as they fall due.

Policy

Committed confirmed credit facilities with a term of at least 12 months must be available in an amount equivalent to the Group's gross debt plus a liquidity reserve corresponding to at least 5 percent of consolidated net sales. Trelleborg's debt/equity ratio target interval is between 50 and 100 percent.

Commentary

Trelleborg commands a broad funding base with good access to the money and debt capital markets. The Group has mainly accessed the bank loan

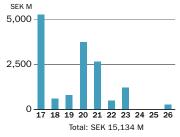
market via a syndicated multicurrency revolving credit facility comprising two tranches in Eur 750 M (SEK 7,182 M) and USD 625 M (SEK 5,687 M) and including a swingline facility denominated in SEK. Trelleborg is present in the money markets through its SEK 4 billion Swedish Domestic Paper Program under which a pleasing level of issuance was maintained throughout 2016. Over the years, Trelleborg has successfully tapped the debt capital markets through issuance under its SEK 5 billion Swedish Domestic Medium Term Note Program and a number of Schuldschein issues, thus building a broad investor base in Europe and Asia.

The Group monitors its liquidity reserve, debt maturity term structure and key capital structure ratios on an ongoing basis.

Throughout 2016, the volume of the Group's committed confirmed credit facilities exceeded the aggregate of gross debt plus liquidity reserve as stipulated in the policy. Credit facilities are defined as committed confirmed when they are not only confirmed in writing but also the subject of a firm commitment to lend by the facility provider. Trelleborg's committed confirmed credit facilities totaled SEK 13,973 M (23,182) per December 31, 2016 of which SEK 9,211 M (20,090) was unutilized. At year-end 2016, the Group's committed confirmed credit facilities included its ${\tt EUR}\ 750\ {\tt M}$ and ${\tt USD}$ 625 M syndicated multicurrency revolving credit facility. 95 percent of the facility's EUR tranche and 90 percent of the facility's USD tranche are scheduled to mature in 2020 while the remaining portions will mature in December 2019. The facility is provided by a total of 17 financial institutions from Europe, Asia and the U.S. Based on the number of participating banks and their standing, Trelleborg deems that the banking syndicate behind the facility is strong. The remainder of the Group's committed confirmed credit facilities per end 2016 consisted principally of Medium Term Notes and Schuldscheindarlehen with tenors to maturity of up to ten years.

During 2016, Trelleborg has extended its debt maturity profile through a number of Medium Term Note and Schuldschein issues. On May 27, 2016, Trelleborg issued two Medium Term Notes: SEK 200 M with a six-year tenor and SEK 300 M with a seven-year tenor. This was followed on August 4, 2016 by the issue of five Schuldscheins in a total amount of ${\ensuremath{\sf EUR}}\xspace\,205.5\ \mbox{\ensuremath{\sf M}}\xspace$ with tenors ranging between five and ten years. A ${\ensuremath{\sf EUR}}$ 50 ${\ensuremath{\sf M}}$ Medium Term Note with a five-year tenor issued on October 14, 2016 concluded the Group's debt capital markets issuance activity for 2016. Per December 2016, the Group's interest-bearing liabilities totaled SEK 15,134 M (9,379) and comprised current liabilities (maturing in 2017) of SEK $5,282\,\mathrm{M}$ (4,077) and non-current liabilities (maturing after 2017) of sek 9,852 m (5,302). Current liabilities consisted mainly of outstanding Commercial Paper of SEK $3,143\,\mathrm{M}$ (2,408), a bilateral money market loan of SEK 718 M (1,509) and a Medium Term Note of SEK 1,053 M (0). The aggregate of these current liabilities was backstopped through the undrawn portion of the Group's EUR 750 M and USD 625 M syndicated multicurrency revolving credit facility. Non-current liabilities amounted to sex 9,852 $\rm m$ (5,302) and mainly comprised the utilized portion of the Group's EUR 750 M and USD 625 M syndicated multicurrency revolving credit facility, Medium Term Notes and Schuldscheindarlehen. The maturity term structure of the Group's interest-bearing liabilities per December 31, 2016 is shown in the diagram below:

Maturity term structure of the Group's interestbearing liabilities per December 31, 2016



The Group's net debt/equity ratio amounted to 48 percent (34) at year-end.

Interest rate risk

Rick

Since most of Trelleborg's net debt bears variable interest, the Group focuses on interest-related cash-flow risk, meaning the risk that movements in market interest rates could have an impact on the financial cash flow and earnings. The scope of the impact depends on the fixed interest term of the borrowing and investment.

Policy

The average fixed-interest term on the Group's gross borrowing, including the impact of derivative instruments, may not exceed four years. The average fixed-interest term on interest-bearing investments, including the effects of derivative instruments, may not exceed two years on a maximum amount of SEK $2,000\,\mathrm{M}$, or the equivalent amount in other currencies.

Commentary

The Group seeks a balance between a reasonable current cost of borrowing and the risk of having a significantly negative impact on earnings in the event of a sudden major movement in interest rates. Trelleborg employs interest rate hedging where appropriate.

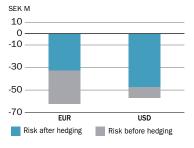
The Group's average interest-bearing net debt amounted to SEK $10,440 \,\mathrm{M}$ (7,736) during the year. Net financial items corresponded to $2.0 \,\mathrm{percent}$ (2.0) of the average interest-bearing net debt. Net interest income excluding borrowing costs corresponded to $1.4 \,\mathrm{percent}$ (1.3).

At year-end, gross loans, including derivative instruments, had an average fixed-interest term of 23 months (26) and interest-bearing investments 3 months (4).

At December 31, 2016, interest-bearing net debt amounted to SEK 12,125 M (6,282), with an average remaining fixed-interest term of about 28 months (37). Based on the level of interest-bearing net debt on December 31, 2016, a 1 percentage point rise in market interest rates in all currencies in which the Group has loans or investments would have a negative impact on financial net of approximately SEK 72 M (neg: 20) for 2017. The currencies with the greatest impact are EUR and USD. Taking into account the interest-rate hedges in place at year-end 2016, and for which hedge accounting has been applied, an increase of 1 percentage point in the market interest rates in currencies that have been hedged would have a positive impact on comprehensive income of SEK 184 M (115) after tax effects.

For further analysis of the accounting of the Group's borrowing, see Note 28. Outstanding interest-bearing investments are recognized in Notes 24, 25 and 26.

Impact in 2017 on consolidated interest expenditure of a 1 percentage point increase in market interest rates



Foreign exchange risks

Foreign exchange risks relate to the risk of adverse impacts on the consolidated income statement, balance sheet and/or cash flow as a result of exchange rate fluctuations. Foreign exchange risks exist in the form of transaction and translation risks.

Transaction risks

Currency flows arising primarily in connection with the acquisition or sale of goods and services in currencies other than the local currency of the relevant Group company give rise to transaction exposure. Trelleborg's global operations generate substantial cash flows in foreign currencies.

Policy

Group companies must generally hedge between 50 and 100 percent of the 12-month forecast net flows on a rolling basis. Deviations from the rule are permitted in the event that currency hedging is not practicable in relation to a currency and/or in the event it is associated with excessive costs. Subsidiaries are to conduct this hedging through Group Treasury.

Group Treasury works actively to match these flows to reduce the Group's foreign exchange risks and transaction costs. At Group level, the bulk of these flows is netted. A portion of the remaining net exposure is hedged by Group Treasury based on the business areas' hedging decisions to reduce the impact on earnings. Hedging is mainly conducted using currency forward contracts, supplemented by currency swaps.

Commentary

The Group's net currency flows are estimated at an annual value corresponding to approximately sek 5,377 $\,\rm M$ (4,100). The currency pairs with the highest net flows, meaning those expected to exceed the equivalent of sek 150 $\,\rm M$ over a period of 12 months from January 2017, and the amounts hedged per currency pair at December 31, 2016 are shown in the next column.

For the stated period, the currencies with the highest forecast net flows are EUR (SEK 2,687 M equivalent), USD (SEK 1,020 M equivalent) and CZK (negative SEK 1,241 M equivalent).

Forecast annual exposure per currency pair with the highest 12-month net flow from January 2017, and currency hedges as of December 31, 2016, SEK M

			Net flow after
Currency pair	Net flow	Currency hedging	currency hedging
EUR/CZK	1,334	-1,043	292
EUR/DKK	479	-490	-10
EUR/LKR	330		330
USD/SEK	318	-301	17
EUR/GBP	292	-223	69
USD/CNY	257	-2	255
USD/CZK	-251	191	-60
EUR/RSD	243		243
EUR/USD	-192	142	-50
USD/LKR	186		186
EUR/TRY	162		162
EUR/PLN	154	-128	26
GBP/USD	-151	110	-41

A 10-percentage-point strengthening of the value of all foreign currency flows that Trelleborg forecasts to occur during 2017 against <code>usp</code> would lead to a change in <code>usp-denominated</code> net flows of <code>usp-6</code> m. A 10-percentage-point strengthening in the value of all foreign currency flows that Trelleborg forecasts to occur during 2017 against <code>EuR</code> would lead to a change in <code>EuR-denominated</code> net flows of <code>EuR-11</code> m.

Translation risks - Income statement

Rick

Exchange rate fluctuations impact the Group's earnings in connection with the translation of foreign subsidiaries' income statements to SEK.

Policy

The Group does not normally hedge this risk.

Commentary

Trelleborg's earnings are largely generated outside Sweden. Accordingly, the impact of exchange rate fluctuations on the Group's sales and earnings can be significant. If the 2015 income statements of foreign subsidiaries had been translated using the average exchange rates for 2016, EBIT for continuing operations would have been negatively impacted by SEK -44~M and net profit by SEK -40~M.

Translation of 2015 income statement using 2016 exchange rates,

SEK M

Currency	Net sales	EBIT	Net profit
EUR	80	9	8
GBP	-272	-43	-33
USD	91	8	1
Other	-74	-18	-16
Total	-175	-44	-40

Translation risks - Balance sheet

Risk

When translating the Group's investments in foreign subsidiaries to \mbox{SEK} , there is a risk that the Group's balance sheet will be impacted by changes in exchange rates.

Policy

Investments in foreign subsidiaries and joint venture/associated companies may be hedged by between 0 and 100 percent of the investment value (which, because of the tax effect, implies a maximum hedge of approximately 78 percent of the investment value). Decisions on any hedging are made following a comprehensive assessment of exchange rate levels, the effects of costs, liquidity and tax, and impact on the Group's debt/equity ratio.

Commentary

When translating the balance sheets of the Group's foreign subsidiaries to sek, there is a risk that the Group's balance sheet will be impacted by changes in exchange rates. The Group has significant net investments in foreign subsidiaries and joint ventures/associated companies. If sek appreciates by 1 percentage point 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 285 $\,\mathrm{M}$ (neg: 204).

Currency distributions, degree of hedging and sensitivity analysis are presented in the table on the next page.

Currency distributions, degree of hedging and sensitivity analysis as per December 31, 2016

			Effect on
	Net investment,	Currency	equity, if SEK 1%
Currency	SEK M	hedging, %	stronger, sek m
EUR	12,903	68	-29
GBP	2,311	27	-61
USD	4,334	43	-18
CZK	9,770	0	-97
Other	8,854	11	-80
Total 2016	38,172	32	-285
Total 2015	27,155	31	-204

The Group's positions regarding hedging of investments in foreign subsidiaries are regularly monitored and adjusted. Correlations between currencies are taken into consideration when appropriate.

Financial credit risk/Financial credit exposure

Risk

Credit risk can be split up into operating and financial credit risk. Operating credit risk is presented in Note 19. Financial credit risk is the risk of losses if those counterparties with which the Group has invested in cash and cash equivalents, short-term bank deposits or entered into financial instruments with positive market values, do not fulfill their obligations.

Policy

Counterparties must possess a high creditworthiness and 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.

Commentary

The Group's Treasury Policy contains a special counterparty regulation specifying the maximum credit risk exposure to various counterparties. A follow-up in relation to credit limits is conducted on an ongoing basis. Counterparties have been subdivided into three categories: A, B and C. A follow-up in relation to credit limits is conducted on an ongoing basis.

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 from the Trelleborg Group to institutions in category A may not exceed sex 1,000 $\,\mathrm{M}$ or equivalent, 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 sex 500 m or equivalent, 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 interestbearing receivables, cash and cash equivalents and derivative instruments at December 31, 2016 subdivided by category:

Financial credit risk exposure

Category	Interest-l	_	Cash an equiva		Deriva instrun – unrea gains,	nents alized	Tota	al
SEK M	2016	2015	2016	2015	2016	2015	2016	2015
A	-	-	495	323	43	80	538	403
В	174	136	905	1,908	211	157	1,290	2,201
С	-	-	478	321	-	31	478	352
Total	174	136	1,878	2,552	254	268	2,306	2,956

At the end of 2016, cash and cash equivalents in category B were allocated among 34 counterparties. The total credit exposure in category C at year-end 2016 was divided among more than 47 counterparties. Credit exposures in category C amounted to less than sek 50 m per counterparty, with the exception of sek 60 m distributed among three of the Group's core hanks

Credit risk exposure associated with derivative instruments is determined as the fair value on the closing date. On December 31, 2016, the total counterparty risk associated with derivative instruments amounted to $_{\mbox{\footnotesize SEK}}$ 254 $_{\mbox{\footnotesize M}}$ (268), gross. If ISDA agreements are taken into account and the net receivable in derivative instruments is calculated net per counterparty, the counterparty risk amounted to $_{\mbox{\footnotesize SEK}}$ 58 $_{\mbox{\footnotesize M}}$ (46).

In addition to the amounts presented in the table above, the Group also has interest-bearing receivables of sex 716 $\,\rm M$ (154) due from third parties, the majority of which was attributable to the deferred purchase consideration relating to the divestment of Vibracoustic conducted in 2016.

With the exception of what was described above, no credit limits were exceeded in 2016 or 2015 and management does not anticipate any losses due to non-payment by these counterparties.

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 closing date until the agreed date of maturity. The amounts stated in the table comprise contractual, undiscounted cash flows, which we consider to correspond to the fair value for interest-rate swaps.

At December 31, 2016

	Less than	Between	More than	
SEK M	1 year	1 and 5 years	5 years	Total
Borrowing, incl. interest	-5,220	-8,885	-1,537	-15,642
Interest-rate swaps with				
negative fair value	-65	-84	2	-147
Accounts payable	-2,699	-	-	-2,699
Total	-7,984	-8,969	-1,535	-18,488
Accounts receivable	4,739	_	-	4,739
Net flow	-3,245	-8,969	-1,535	-13,749

A more detailed maturity structure is presented in Note 28.

At December 31, 2015

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowing, incl. interest Interest-rate swaps with	-4,060	-5,464	-300	-9,824
negative fair value	-29	-88	-30	-147
Accounts payable	-2,118	-	-	-2,118
Total	-6,207	-5,552	-330	-12,089
Accounts receivable	3,537	-	_	3,537
Interest-rate swaps with positive fair value	_	2	2	4
Net flow	-2,670	-5,550	-328	-8,548

The table below shows the Group's financial derivative instruments that will be settled gross, subdivided into the periods remaining on the closing date until the agreed date of maturity. The amounts stated in the table comprise contractual, undiscounted cash flows.

At December 31, 2016

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Foreign-exchange contracts				
– outflow	-26,633	-	-	-26,633
– inflow	26,589	-	-	26,589
Basis swap contracts				
– outflow	-3	-579	-	-582
– inflow	4	561	-	565
Total	-43	-18	-	-61

At December 31, 2015

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Foreign-exchange contracts				
– outflow	-28,592	_	-	-28,592
– inflow	28,485	_	_	28,485
Basis swap contracts				
– outflow	-5	-563	_	-568
– inflow	4	567	-	571
Total	-108	4	_	-104

Other

32 Contingent liabilities and pledged assets

SEK M	2016	2015
Contingent liabilities		
Pension obligations	5	8
Guarantees and other contingent liabilities 1)	4	20
Total	9	28
Pledged assets		
Plant and machinery	1	0
Total	1	0

 $^{^{1)}\,}$ Of which in 2015, sex 18 $\mbox{\scriptsize M}$ connected to Vibracoustic.

Parent Company income statements

SEK M	Note	2016	2015
Administrative expenses	35, 39, 44	-313	-280
Other operating income	34	477	395
Other operating expenses	34	-309	-225
EBIT	33	-145	-110
Financial income and expenses	36	-273	410
Profit/loss after financial items		-418	300
Appropriations	52	450	567
Income tax	37	34	3
Net profit		66	870
Statements of comprehensive income			
SEK M		2016	2015
Net profit		66	870
Other comprehensive income		_	_
Total comprehensive income		66	870
Total Compressions in Come		00	0.0
Cash-flow statements			
SEK M		2016	2015
Operating activities			
EBIT		-145	-110
Adjustment for items not included in cash flow:			
Depreciation of property, plant and equipment		3	3
Amortization of intangible assets		1	1
Divestments and disposals		0	0
Other items not included in cash flow		37	41
		-104	-65
Cash dividend received		344	889
Interest received and other financial items		4	0
Interest paid and other financial items		-414	-433
Tax paid/received		0	67
Cash flow from operating activities before changes in working capital		-170	458
Cash flow from changes in working capital			
Change in operating receivables		-23	-13
Change in operating liabilities		-67	-56
Cash flow from operating activities		-260	389
Investing activities			300
Acquisition of subsidiaries/capital contribution		-46	-28
Divestment of subsidiaries		-	0
Gross capital expenditures for property, plant and equipment		0	0
Cash flow from investing activities		-46	-28
Financing activities		- 10	
Change in interest-bearing investments		768	293
Change in interest-bearing linvostricities		622	363
Dividend – shareholders of the Parent Company		-1,084	-1,017
Cash flow from financing activities		306	-1,017 -361
Cash flow for the year		0	-301
Cash and cash equivalents		U	U
Opening balance, January 1		0	0
Opening varance, January 1		U	0

Cash and cash equivalents, December 31

Parent Company balance sheets

December 31, SEK M	Note	2016	2015
ASSETS			
Non-current assets			
Property, plant and equipment	42	16	19
Intangible assets	43	2	3
Financial non-current assets	49	35,362	35,623
Deferred tax assets	38	171	137
Total non-current assets		35,551	35,782
Current assets			
Current operating receivables	45	130	107
Interest-bearing receivables	50	556	622
Cash and cash equivalents		_	0
Total current assets		686	729
TOTAL ASSETS		36,237	36,511
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		2,620	2,620
Statutory reserve		1,130	1,130
Total restricted equity		3,750	3,750
Non-restricted equity			
Profit brought forward		6,495	6,709
Net profit for the year		66	870
Total non-restricted equity		6,561	7,579
Total equity	52	10,311	11,329
Non-current liabilities			
Interest-bearing non-current liabilities	51	4,374	4,378
Pension obligations	40	5	11
Other provisions	48	19	18
Total non-current liabilities		4,398	4,407
Current liabilities			
Interest-bearing current liabilities	51	21,374	20,590
Tax liabilities		0	C
Other current liabilities	46, 47	154	185
Total current liabilities		21,528	20,775
TOTAL EQUITY AND LIABILITIES		36,237	36,511

Change in equity

Equity	Restricted	Restricted equity		Non-restricted equity		Total equity	
SEK M	2016	2015	2016	2015	2016	2015	
Opening balance, January 1	3,750	3,750	7,579	7,726	11,329	11,476	
Changes for the year							
Dividend	-	-	-1,084	-1,017	-1,084	-1,017	
Net profit for the year	_	-	66	870	66	870	
Closing balance, December 31	3,750	3,750	6,561	7,579	10,311	11,329	

See also Note 52.

Earnings

33 Expenses by nature

SEK M	2016	2015
Employee benefits	-146	-142
Depreciation/amortization	-4	-4
Other external costs	-163	-134
Other operating income/expenses (Note 34)	168	170
EBIT	-145	-110

34 Other operating income and expenses

SEK M	2016	2015
Sales of services to other Group companies	474	390
Sales of external services	1	2
Exchange rate differences	2	3
Total other operating income	477	395
Purchase of services from other Group companies	-149	-161
Exchange rate differences	-3	-2
Other	-157	-62
Total other operating expenses	-309	-225
Total	168	170

35 Auditor's remuneration

SEK M	2016	2015
PricewaterhouseCoopers		
Audit assignment	6	4
Audit activities other than audit assignment	3	1
Tax consultancy services	2	3
Other services	3	2
Total	14	10

36 Financial income and expenses

SEK M	2016	2015
Income from participations in Group companies		
Dividend	344	889
Impairment losses on shares in subsidiaries	-155	-3
Total	189	886
Other interest income and similar profit items		
Interest income	4	10
Exchange rate differences	2	0
Total	6	10
Interest expenses and similar loss items		
Impairment of other non-current securities holdings	-9	-
Interest expenses, Group companies	-458	-480
Exchange rate differences	-1	-6
Total	-468	-486
Total financial income and expenses	-273	410

37 Income tax

	2016	2015
SEK M	2016	2015
Current tax expenses		
Tax expenses/revenue for the period	-	-
Adjustment of tax attributable to prior years	0	0
Other tax	0	0
Total	0	0
Deferred tax expenses (-)/revenue (+)		
Change in losses carried forward	34	3
Total	34	3
Total recognized tax expenses/revenue	34	3
Reconciliation of tax		
Profit after financial items	-418	300
Calculated Swedish income tax, 22% (22)	92	-66
Non-taxable dividends/income from shares in subsidiaries	76	195
Non-deductible impairment losses	-36	-1
Non-deductible expenses/non-taxable revenue	1	0
Group contributions received	-122	-137
Group contributions paid	23	12
Tax attributable to prior years	0	0
Other tax	0	0
Total recognized tax expenses/revenue	34	3

The applicable tax rate is 22 percent (22).

38 Change in deferred tax

	Losses (Tempo differe in non-c asso	nces urrent	Tot deferre ass	d tax
SEK M	2016	2015	2016	2015	2016	2015
Balance, January 1	139	136	-2	-2	137	134
Recognized in profit and loss:						
Change in losses carried forward	34	3	-	-	34	3
Temporary differences	-	-	0	0	0	0
Balance, December 31	173	139	-2	-2	171	137

See also Note 37.

Employees

39 Employees and employee benefits

Average number of employees

	2016		2015			
	Women	Men	Total	Women Men		Total
Sweden	22	38	60	19	38	57

Gender distribution in executive management positions, %	2016	2015
Percentage of women in		
executive positions	-	-
Board of Directors	33	33

Employee benefits, other remuneration and payroll overheads

2016		Other members				Of which,
	Board and	of Group	Other	Total	Payroll	pension
SEK M	President	Management	employees	salaries	overheads	costs
Sweden	28	18	50	96	50	16

See also Note 11.

2015		Other members				Of which,
SEK M	Board and President	of Group Management	Other employees	Total salaries	Payroll overheads	pension costs
Sweden	26	17	45	88	54	22

See also Note 11.

40 Pension obligations

SEK M	2016	2015
Provisions for pensions	5	11
Total	5	11

Pensions and similar costs amounted to SEK 16 M (22).

Operating assets and liabilities

41 Participations in Group companies

SEK M	2016	2015
Opening balance	35,123	35,098
Add		
Acquisitions	-	16
Capital contributions	56	12
Less		
Impairment losses	-155	-3
Carrying amount	35,024	35,123

See also Note 14.

42 Property, plant and equipment

SEK M	2016	2015
Improvement expenses on buildings owned by others	13	15
Equipment, tools, fixtures and fittings	3	4
Total	16	19

	Improver penses on owned by	buildings	Equipr tools, fi and fit	xtures	Total pro plant equip	and
SEK M	2016	2015	2016	2015	2016	2015
Accumulated cost						
Balance, January 1	25	25	13	13	38	38
Capital expenditures	-	-	0	0	0	0
Divestments and disposals	-	-	0	0	0	0
Accumulated cost, December 31	25	25	13	13	38	38
Accumulated depreciation according to plan						
Balance, January 1	-10	-9	-9	-7	-19	-16
Divestments and disposals	-	_	0	0	0	0
Depreciation according to plan for the year	-2	-1	-1	-2	-3	-3
Accumulated depreciation,						
December 31	-12	-10	-10	-9	-22	-19
Carrying amount	13	15	3	4	16	19

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 $\mbox{\scriptsize SEK}$ 2 $\mbox{\scriptsize M}$ (2). Future payments for non-cancellable lease commitments amount to $\ensuremath{\mbox{se\kappa}}$ 2 $\ensuremath{\mbox{M}}$ (2) and fall due as follows:

SEK M	2016	2015
Year 1	1	1
Years 2–5	1	1
Total	2	2

43 Intangible assets

SEK M	2016	2015
Capitalized expenditure for development work and the equivalent	2	3
Total	2	3

	ture for deve work and	Capitalized expendi- ture for development work and the equivalent		
SEK M	2016	2015		
Accumulated cost				
Balance, January 1	20	20		
ccumulated cost, December 31	20	20		
Accumulated amortization according to plan				
Balance, January 1	-17	-16		
Amortization according to plan for the year	-1	-1		
Accumulated amortization, December 31	-18	-17		
Carrying amount	2	3		

Depreciation of PPE and amortization of intangible assets

SEK M	2016	2015
Improvement expenses on buildings owned by others	-2	-1
Equipment, tools, fixtures and fittings	-1	-2
Capitalized expenditure for development work and the equivalent	-1	-1
Total	-4	-4

45 46 47 48 49 50 51 52 53

54

45 Current operating receivables

SEK M	2016	2015
Operating receivables, Group companies	92	31
Other current receivables	10	51
Prepaid expenses and accrued income	28	25
Total	130	107

46 Other current liabilities

SEK M	2016	2015
Accounts payable	43	59
Operating liabilities, Group companies	29	63
Other non-interest-bearing liabilities	9	5
Accrued expenses and prepaid income (Note 47)	73	58
Total	154	185

47 Accrued expenses and prepaid income

SEK M	2016	2015
Wages and salaries	41	36
Payroll overheads	13	11
Other	19	11
Total	73	58

48 Other provisions

SEK M	2016	2015
Provision for long-term incentive program	14	13
Other provisions	5	5
Total	19	18

Capital structure and financing

49 Financial non-current assets

SEK M	2016	2015
Participations in Group companies (Note 14 and Note 41)	35,024	35,123
Receivables, Group companies	333	337
Loan receivables	1	144
Other non-current securities holdings	0	9
Other non-current receivables	4	10
Total	35,362	35,623

50 Interest-bearing receivables

SEK M	2016	2015
Financial receivables, Group companies	555	621
Financial receivables, joint ventures/associated companies	1	1
Total interest-bearing receivables	556	622

51 Interest-bearing liabilities

SEK M	2016	2015
Other non-current interest-bearing liabilities, Group companies 1)	4,374	4,378
Other current interest-bearing liabilities, Group companies	21,374	20,590
Total interest-bearing liabilities	25,748	24,968

 $^{^{1)}}$ For the portion comprising effective hedging instruments, the carrying amount is SEK 4,346 M (4,346) and the fair value is SEK 4,812 M (4,545).

52 Equity

Trelleborg AB's share capital at December 31, 2016 amounted to $\sec 2,620,360,569$, represented by 271,071,783 shares with a par value of $\sec 9.67$ 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
Total	271,071,783	100.00	527.571.783	100.00

See also Note 27.

Proposed treatment of unappropriated earnings

	2016
The Board of Directors and the President propose that the profit brought	
forward from the preceding year, SEK 000s	6,494,536
and net profit for the year, SEK 000s	66,147
Total, SEK 000s	6,560,683
be distributed in the following manner:	
Dividend to shareholders of SEK 4.25 per share, SEK 000s	1,152,055
balance to be carried forward, SEK 000s	5,408,628
Total, SEK 000s	6,560,683

Other

53 Appropriations and untaxed reserves

SEK M	2016	2015
Group contributions received	555	621
Group contributions paid	-105	-54
Total appropriations	450	567

54 Contingent liabilities and pledged assets

SEK M	2016	2015
Contingent liabilities		
Pension obligations	0	1
Guarantees and other contingent liabilities	15,474	10,270
Total	15,474	10,271
Of which, on behalf of the subsidiary Trelleborg Treasury AB	15,186	9,756
Of which, on behalf of other subsidiaries	288	497
Pledged assets	_	_

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 14,690 M (9,195), the fair value of derivative instruments for SEK 464 M (498) and other contingent liabilities for SEK 31 M (63) on the closing date.

PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

The Board of Directors and the President propose that the profit brought forward from the preceding year, sek 000s

forward from the preceding year, SEK 000s
and net profit for the year, SEK 000s
66,147

Total, SEK 000s
6,560,683

be distributed in the following manner:

 Dividend to shareholders of sex 4.25 per share, sex 000s
 1,152,055

 balance to be carried forward, sex 000s
 5,408,628

 Total, sex 000s
 6,560,683

The proposed record date for the right to a dividend is May 2, 2017.

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 proposed dividend reduces the Group's equity/ assets ratio from 52.0 percent to 50.8 percent and the Parent Company's equity/assets ratio from 28.5 percent to 26.1 percent, calculated on December 31, 2016.

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 Board of Directors' 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 17, 2017

From Meris

Sören Mellstig Chairman

Gunilla Fransson Board member

Susanne Pahlén Åklundh Board member

Peter Larsson Employee Representative Hans Biörck Board member

Johan Malmquist Board member

Bo Risberg
Board member

Mikael Nilsson Employee Representative Jan Carlson Board member

Anne Mette Olesen Board member

Göran Andersson Employee Representative

Peter Nilsson President

Audit report submitted February 17, 2017
PricewaterhouseCoopers AB

Mikael Eriksson Authorized Public Accountant Auditor in Charge Cecilia Andrén Dorselius Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of Trelleborg AB (publ), corporate identity number 556006-3421

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Trelleborg AB (publ) for the year 2016. The annual accounts and consolidated accounts of the company are included on pages 1-25, 62-127 and 130-131 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibility* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the annual accounts and consolidated accounts. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the annual accounts and consolidated accounts as a whole, taking into account the structure of the

Group, the accounting processes and controls, and the industry in which the group operates. Based on these considerations, we chose the entities we considered to be significant and determined the audit activities to be executed. We have included the larger production and sales entities within each business area. In the newly acquired group, CGS Holding, we have included the largest entities in the Czech Republic, Slovenia and the US. The entities not considered significant have been audited by the central audit team through an overall analysis in order to identify any possible material deviations.

In establishing the audit plan, we determined the type of work that needed to be performed for each significant entity. The majority of the group's operations are located outside Sweden and we obtain reporting from the local audit teams throughout the year. The central audit team annually determines the level of involvement required in order to be able to conclude whether sufficient and appropriate audit activities have been executed. The selection of the entities to be visited is on a rotation basis. In addition, we visit significant newly-acquired entities. As a stage in this follow up, the central audit team has during the year visited entities in the US, Brazil, the Netherlands, the Czech Republic and Slovenia.

Furthermore, the central audit team has, amongst other things, performed the audit of the parent company, the consolidation, the annual accounts and significant estimates and judgments. Based on the performed audit activities referred to above, we deem that we have obtained sufficient audit evidence to be able to provide an opinion on the annual accounts and consolidated accounts as a whole.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the annual accounts and consolidated accounts are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual accounts and consolidated accounts.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the annual accounts and consolidated accounts as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the annual accounts and consolidated accounts as a whole.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Key audit matter

Impairment of intangible assets

As at 31 December 2016, goodwill and other intangible assets amount to SEK 23,203 M. In Note 17, the allocation of goodwill and other intangible assets is presented per business area, together with a description of the annual impairment review undertaken by Group management.

Group management bases its impairment review on the discounted cash flow for the cash generating units comprising the company's business areas. The impairment test is based on assumptions regarding future cash flows and circumstances which are complex and which involve a high degree of judgment. Group management's assumptions regarding annual rate of growth beyond the next five years and weighted average cost of capital (WACC) involve a high degree of judgment. Changes in these factors can result in an impairment requirement. No impairment charge has been recorded by Group management against these balances in 2016.

The business area, Trelleborg Offshore & Construction, reports good-will and other intangible assets in a total of SEK 1,435 M, respective SEK 110 M. Part of the activities within this business area, consists of activities in the offshore oil & gas industry. In 2016, the activities in offshore oil & gas have been negatively impacted by a downturn in the offshore oil & gas market. If Group management's assumptions regarding growth rates and increased margins are not achieved, an impairment requirement can arise.

How our audit addressed the Key audit matter

In our audit, we focus on assessing whether there is a risk that an impairment requirement can exist as regards to goodwill or other intangible assets. We have assessed the calculation model applied by management and we have reconciled important assumptions against the company's budget and strategic plan, and found them to be consistent.

We have assessed assumptions and judgments made by Group management, concerning the expected market development within offshore oil & gas. We also assessed the impact these operations have on the business area, Trelleborg Offshore & Construction, as a whole. This has been done through analysis of how adjustments from previous years' assumptions were made, as a result of the development of the operations and the market. Other factors we have considered included cost savings from restructuring, market recovery and other external factors, such as oil price development.

We have also challenged Group management's key assumptions, such as growth rates, EBIT-margin and weighted average cost of capital (WACC). We performed sensitivity analyses for each business areas. We have performed this analysis to ascertain the extent of changes in annual rate of growth beyond the next five years and WACC that, either individually or collectively, would be required for the goodwill and intangible assets to be impaired.

Reporting of the divestment of Vibracoustic

As presented in Note 9 and Note 13, the shares in Vibracoustic have been divested in 2016. Vibracoustic has been owned in equal shares, since 2012, with Freudenberg. This divestment resulted in a capital gain of sek 4,369 m.

The accounting for this transaction is considered to be a risk due to being non-recurring and to the significant size of the transaction and the quantum of the result of the divestment.

In conjunction with the divestment, Group management made a fair value assessment of the remaining assets and obligations which were related to the discontinuing operations. The significant judgments were primarily related to the valuation of the earn-out, which at year-end was estimated at SEK $685\ \text{M}$ and to obligations relating primarily to potential environmental commitments.

This assessment is based on a significant number of assumptions and estimates.

We have obtained and reviewed the agreement, in order to understand the terms and conditions for the transaction. We have assessed Group management's calculation of capital gain and have reconciled this against the agreement.

We have evaluated and analysed Group management's valuation of the remaining receivables and obligations arising in conjunction with the transaction.

We have checked the mathematical correctness of the calculation. We have reconciled the purchase price received against bank confirmations and tested costs arising in conjunction with the sale, such as lawyers' fees and similar costs, in order to ensure that such costs refer to the transaction.

We have identified no significant deviations in conjunction with our audit procedures.

Reporting of the acquisition of CGS Holding a.s

In 2016, CGS Holding was acquired, which is disclosed in Note 15. CGS Holding is a group with leading positions within agriculture, industry and specialty tires and within engineered polymer solutions.

According to IFRS 3, identifiable acquired assets and assumed liabilities in a business combination, are initially measured at fair value on the date of acquisition. Group management shall identify and ensure the completeness and valuation of separately identifiable intangible assets and liabilities. This assessment is complex and includes significant assumptions and judgments. Group management has engaged external valuation specialists for support in this assessment. The acquisition price amounted to SEK 10,877 M and the allocation applied has resulted in goodwill of SEK 5,094 M and other intangible assets in an amount of SEK 2,686 M.

An error either in the identification or valuation of intangible assets can lead to incorrect classifications in the balance sheet at point of acquisition and can, subsequently, also have an impact on the income statement.

We have obtained and reviewed Group management's assessment of the value of the acquired intangible assets and of their nature. We have evaluated assumptions based on the group accounting principles by:

- » reviewing the purchase agreement
- » reviewing the due diligence report
- $\ensuremath{\text{\textit{y}}}$ meeting with previous auditors to discuss previous' years audits
- » performing overall audit activities as regards opening balances
- » engaging our internal valuation specialists to independently assess the models and assumptions applied by Group management and engaged external valuation specialists, in the identification and valuation of intangible assets, and
- » we have assessed the economic useful lifetime of the intangible asset (in addition to goodwill) and have ensured that this agrees with our understanding of the acquired asset and with accounting principles.

We have identified no significant deviations in conjunction with our audit procedures.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 26-45. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/ rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY **REQUIREMENTS**

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Trelleborg AB (publ) for the year 2016 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibility section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- » has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- » in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor's report.

Malmö the 17 February 2017 PricewaterhouseCoopers AB

Mikael Eriksson Authorised public accountant Auditor in charge Cecilia Andrén Dorselius Authorised public accountant

INDEX OVERVIEW GRI G4 – CORE

To make it easier to find information about Trelleborg's CR work in the Annual Report, material Corporate Responsibility issues have been grouped in areas with page references that conform to the GRI G4 Sustainability Reporting Guidelines according to the Core option.

Material sustainability aspects according to GRI can be found under the respective report area/focus areas. Those that do not constitute specific GRI Aspects are written in *italics*.

Indicators with omitted parts are marked with an asterisk*, and commented on in Trelleborg's separate 2016 CR Report.

The second column contains material GRI G4 Indicators for the respective

sustainability aspect, with page references in the third column. The page references are printed at the bottom of each relevant page in the Annual Report.

The fourth column contains references to the UN Global Compact, which Trelleborg signed back in 2007.

A detailed GRI Content Index with boundaries, omitted parts, and Disclosures on Management Approach (DMAs) is included in the more comprehensive 2016 CR Report, which can be downloaded as of April 2017 from www.trelleborg.com/ About Us/Corporate Responsibility.

The 2016 CR report is prepared for sustainability reporting in compliance with the Swedish Annual Accounts Act, see the color coding below and the explanations at the bottom of the page.

Connection to principles in the UN Global Compact

Report areas		GRI G4 Indicators Pages in the Annual Report		
Company's CR Profile				
CEO's comments	G4-1	1	2-5, 46-47	
Trelleborg's profile, incl. business model, overriding targets and governance	G4-3 G4-3		Cover, 7-25, 27-32, 36-45, 51, 53, 56, 69-75, 97, 102-103	3, 6
Code of Conduct/policies and external initiatives	G4-1	15-G4-16, G4-56	10, 28-29, 33-35, 38-44, 47-48, 51-57, 59	
Stakeholder engagement	G4-2	24-G4-27	48-50	
Report profile, incl. materiality analysis		18-G4-19, G4-22-G4-23, 28-G4-33	47-50, 128-129, 133	

Focus areas with sustainability aspects based on GRI G4						
1 Compliance with laws and codes						
Anti-corruption		S04*	52-53	10		
Competition issues		S07	52-53			
Regulatory compliance (general)		S08	10, 52-54			
Regulatory compliance (environmental)		EN24, EN29	54	7		
Non-discrimination		HR3	10, 53-54	1, 2, 6		
Freedom of association and collective bargaining		HR4	53	1, 2, 3		
Child labor		HR5	10, 53	1, 2, 5		
Forced labor		HR6	10, 53	4		
Suppliers		G4-12	10, 54			
Human rights in the supply chain		HR10*, HR11	10, 50, 53-54	1, 2		

2 Resources							
Energy		EN3, EN5, EN6	55-57	7, 8, 9			
Climate		EN15, EN16, EN18, EN19	10, 55-57, 59	7, 8, 9			
Emissions		EN21	55, 58	7, 8, 9			
Water		EN8	55, 57-58	7, 8, 9			
Waste		EN23	55, 58	7, 8, 9			
Chemicals		G4-14	50, 56	3			
Health and safety		LA5*, LA6*	10, 50, 55-56	6			

3 Diversity						
Professional development	LA10*	60				
Diversity categories	LA12*	11,60	6			

4 Community Involvement			
Community development	EC1, S01	11, 13, 61	1

Requirements in the Annual Accounts Act concerning sustainability reporting: Business Model Risks Policy/Target Anticorruption Environment Human Rights Social conditions

128 ANNUAL REPORT 2016 TRELLEBORG AB

ASSURANCE REPORT CORPORATE RESPONSIBILITY

Independent Auditor's Limited Assurance Report on the Sustainability Report (*This is the translation of the auditor's report in Swedish.*)

TO TRELLEBORG AB (PUBL)

Introduction

We have been engaged by the Group Management of Trelleborg AB (publ) ("Trelleborg") to undertake a limited review of Trelleborg's Corporate Responsibility (CR) Report ("Sustainability Report") for the year 2016. Trelleborg has defined the scope of the Sustainability Report in the table of contents of the Annual Report.

Responsibilities of the Board and Management for the Sustainability Report

The Board of Directors and the Group Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on *page 47* in the Sustainability Report, and are the parts of the *Sustainability Reporting Guidelines* (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. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing 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 a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

The firm applies ISQC 1 (*International Standard on Quality Control*) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

Trelleborg, 17 February 2017 PricewaterhouseCoopers AB

Cecilia Andrén Dorselius Authorised Public Accountant Fredrik Ljungdahl Expert Member of FAR

TEN-YEAR OVERVIEW

Sear	Trelleborg Group (sek м unless otherwise stated)	2016	2015	2014	2013	20121)	2011	2010	2009	2008	2007
Part Decire tax 2,896 2,897 2,841 2,006 2,499 1,520 1,501 3,93 1,017 1,46	Net sales	27,145	24,803	22,533	21,473	21,262	21,043	19,735	18,605	21,502	20,346
No.	EBIT	3,105	2,962	2,775	2,203	2,353	2,093	1,667	704	1,394	1,732
No. Part P	Profit before tax	2,896	2,809	2,641	2,006	2,199	1,929	1,501	393	1,017	1,469
Part Part Part Part Part Company 6,855 2,605 2,227 1,817 2,057 1,838 1,183 419 -258 83	Net profit, continuing operations	2,216	2,096	1,938	1,419	1,711	1,333	1,089	409	749	1,082
- sharcholders of the Parent Company	Net profit, discontinuing operations	4,369	509	289	198	346	505	94	10	-1,007	-244
Part	Total net profit/loss	6,585	2,605	2,227	1,617	2,057	1,838	1,183	419	-258	838
Equily 25,137 18,622 17,776 14,877 14,012 13,504 12,196 12,381 10,238 10,05	- shareholders of the Parent Company	6,585	2,603	2,221	1,609	2,042	1,819	1,162	409	-267	821
Sapital employed 37,588 24,977 24,575 20,283 19,231 19,574 18,091 19,755 22,238 19,855 124 104 12,125 6,282 7,195 5,637 5,560 6,425 6,409 8,369 12,706 10,096 12,006 10,006 12,0	– non-controlling interests	-	2	6	8	15	19	21	10	9	17
Sapital employed 37,588 24,977 24,575 20,283 19,231 19,574 18,091 19,755 22,238 19,855 124 104 12,125 6,282 7,195 5,637 5,560 6,425 6,409 8,369 12,706 10,096 12,006 10,006 12,0	Equity	25.137	18.622	17.776	14.877	14.012	13.504	12.196	12.361	10.238	10,052
New Note 12,125				,							19,853
Treat assets											10,093
Squity/assets ratio, % 52 54 54 55 51 47 45 42 30 3 3 3 3 3 3 3 3											
Peak								,			34
Capital turnover rate, multiples 0.8 0.9 1.0 1.1 1.3 1.5 1.5 1.3 1.5											100
The extraction in property, plant and equipment 1,074 1,241 962 852 967 1,075 792 754 1,367 1,21 moestments in intangible assets 74 73 63 70 76 61 47 72 159 12 12 12 13 14 14 15 15 11 15 11 15 11 18 18 12 15 10 14 18 19 12 12 14 14 14 14 15 15 11 14 14 15 15 11 14 14 15 15 12 14 14 14 14 15 15 12 14 14 14 14 15 15 12 14 14 14 14 15 15 14 14 14 15 15 14 14 15 15 14 14 15 15 14 14 15 15 14 14 15 15 14 14 15 15 14 14 15 15 14 14 15 15 14 14 15 14 15 15 14 15 14 15 14 15 15 14 15 15 14 15 15 14 15 15 14 15 15 15 14 15 15 15 15 15 15 15 15 15 15 15 15 15											1.6
The street in intangible assets 74 73 63 70 76 61 47 72 159 122 2ash flow attributable to acquisitions 13,380 -681 -1,912 -234 -744 -746 -1.65 63 -802 -61. 2ash flow attributable to acquisitions 13,380 -681 1,390 152 -1.9 448 478 475 377 -276 -61. 2ash flow attributable to acquisitions 6,165 1,390 152 -1.9 448 478 475 377 -276 -61. 2ash flow attributable to acquisitions 6,165 1,390 152 -1.9 448 478 475 377 -276 -61. 2ash flow attributable to acquisitions 6,165 1,390 152 -1.9 448 478 478 475 377 -276 -61. 2ash flow per share, sax 2 8.74 5.36 1.452 1,751 965 1,714 675 806 1,366 656 71. 2ash flow per share, sax 2 8.74 5.36 1.452 1,751 965 1,714 1675 806 1,366 83.31 3.55 2.249 2.277 5.68 3.31 3.55 2.249 2.277 5.280 3.31 3.55 2.249 2.277 5.280 3.31 3.55 2.249 2.279 5.280 3.31 3.55 2.249 2.279 5.280 3.31 3.55 2.249 2.279 5.280 3.31 3.55 2.249 2.279 5.280 3.31 3.55 2.249 2.279 5.280 3.31 3.55 2.249 2.279 5.280 3.31 3.55 2.249 2.279 5.280 3.31 3.55 2.249 2.279 5.280 3.280 2.280 3.280 3.280 2.280 3.280 2.280 3.280 2.280 3.280 2.280 3.280 2.280 3.280 2.280 3.280 2.280 3.280 2.280 3.280 2.280 3.280 2.280 3.280 2.280 3.280 2.280 3.280 2.280 3.280 2.280	· · · ·										
Cash flow attributable to acquisitions											121
Cash flow attributable to discontinuing operations 6,165 1,390 152 -19 448 478 445 377 -276 -6- rice cash flow cash flow cash flow cash flow per share, sax 2 8.74 5.36 6.46 3.56 6.32 2.49 2.97 5.68 3.31 3.5 Return on shareholders' equity, % 30.1 14.3 13.6 11.2 15.0 14.3 9.5 3.6 Neg. 8. Return on shareholders in the Parent Company 3 1.152 1,084 1,017 881 813 678 474 136 - 58 Dividend to shareholders in the Parent Company 3 1.152 1,084 1,017 881 813 678 474 136 - 58 Dividend per share, sax 2 92.73 68.70 65.54 54.72 51.56 49.20 44.56 45.25 51.23 50.1 Reverage number of employees 19,423 15.713 15.425 14.827 16,702 20,274 20,042 20,073 24,347 251.56 -of whom, outside Sweden 18.312 14.533 14.196 13.563 15.20 18.502 18.30 18.342 22.104 22.83 Continuing operations excluding items affecting comparability 4 128 EBITA 3,066 2,867 2,416 2,188 2,067 1,675 710 1,617 1,697 1,6	9										
## Professional Continuing operations excluding items affecting comparability of the fore tax ## 3,049 **Section of sample of the fore tax **Section of t	·										-67
Receash flow per share, sex 3	3 1										711
Return on shareholders' equity, % Return on shareholders in the Parent Company N Return on shareholders' equity per share, sex N Return on shareholders' equity per share, sex N Return on shareholders' equity per share, sex N Return on shareholders' equity, % Return on capital employed, % Return on shareholders' equity, % Return on shareholders'											
Earnings per share, sex ?? 24.30 9.60 8.20 5.93 7.53 6.71 4.29 1.70 -1.35 4.1 Dividend to shareholders in the Parent Company ?? 1,152 1,084 1,017 881 813 678 474 136 - 58 Dividend per share, sex ?? 4,25 4,00 3.75 3.25 3.00 2.50 1.8 0.50 - 2.9 Shareholders' equity per share, sex ?? 92.73 68.70 65.54 54.72 51.56 49.20 44.56 45.25 51.23 50.1 Werage number of employees 19,423 15,713 15,425 14,827 16,702 20,274 20,042 20,073 24,347 25,15 - of whom, outside Sweden 18,312 14,533 14,196 13,563 15,220 18,502 18,230 18,342 22,104 22,83 **Continuing operations excluding items affecting comparability ?* **EBITA 3,700 3,325 3,064 2,685 2,390 2,280 1,897 1,078 2,049 2,01 **EBITA 3,496 3,219 3,001 2,613 2,342 2,231 1,840 1,021 1,996 1,95 - Profit before tax 3,287 3,066 2,867 2,416 2,188 2,067 1,675 710 1,617 1,696 - Profit per							-				8.4
Dividend to shareholders in the Parent Company 3 1,152 1,084 1,017 881 813 678 474 136 - 58 20 20 20 20 20 20 20 20 20 20 20 20 20	• •									_	4.14
A 25 A 4.00 3.75 3.25 3.00 2.50 1.8 0.50 - 2.90											587
Shareholders' equity per share, sex 2 92.73 68.70 65.54 54.72 51.56 49.20 44.56 45.25 51.23 50.1 (Average number of employees 19,423 15,713 15,425 14,827 16,702 20,274 20,042 20,073 24,347 25,15 - of whom, outside Sweden 18,312 14,533 14,196 13,563 15,220 18,502 18,230 18,342 22,104 22,83 (Average number of employees 18,312 14,533 14,196 13,563 15,220 18,502 18,230 18,342 22,104 22,83 (Average number of employees 18,312 14,533 14,196 13,563 15,220 18,502 18,230 18,342 22,104 22,83 (Average number of employees 18,312 14,533 14,196 13,563 15,220 18,502 18,230 18,342 22,104 22,83 (Average number of employees 18,321 3,001 2,613 2,342 2,231 1,840 1,021 1,996 1,95 (Average number of employees 19,423 13,496 3,219 3,001 2,613 2,342 2,231 1,840 1,021 1,996 1,95 (Average number of employees 19,423 13,496 1,255 11,29 12,3 12,49 13,49 13,69 14,59	·										
Nerage number of employees 19,423 15,713 15,425 14,827 16,702 20,274 20,042 20,073 24,347 25,15 or whom, outside Sweden 18,312 14,533 14,196 13,563 15,220 18,502 18,230 18,342 22,104 22,83 20.	•										50.12
Continuing operations excluding items affecting comparability ** EBITA 3,700 3,325 3,064 2,685 2,390 2,280 1,897 1,078 2,049 2,01 EBITA 3,496 3,219 3,001 2,613 2,342 2,231 1,840 1,021 1,996 1,95 Profit before tax 3,287 3,066 2,867 2,416 2,188 2,067 1,675 710 1,617 1,699 Net profit 2,503 2,277 2,116 1,777 1,643 1,436 1,225 632 1,289 1,266 EBITA margin, % 13.6 13.4 13.6 12.5 11.2 10.8 9.6 5.8 9.5 9. EBIT margin, % 12.9 13.0 13.3 12.2 11.0 10.6 9.3 5.5 9.3 9. Return on capital employed, % 11.3 14.3 15.9 15.2 13.9 13.6 11.5 5.8 12.3 13. Return on shareholders' equity, % 11.4 12.5 12.9 12.3 12.0 11.2 10.0 5.6 12.8 12. Earnings per share, sek 9.23 8.39 7.79 6.52 6.03 5.26 4.49 2.62 6.50 6.3 Deparating cash flow per share, sek 12.76 8.42 9.98 7.97 8.29 5.68 6.08 10.50 7.25 7.5 Eash conversion ratio, % 9.9 71 9.0 83 9.6 6.9 9.0 247 7.2 7 Exercise of the state											
3,700 3,325 3,064 2,685 2,390 2,280 1,897 1,078 2,049 2,01 EBIT 3,496 3,219 3,001 2,613 2,342 2,231 1,840 1,021 1,996 1,95 Profit before tax 3,287 3,066 2,867 2,416 2,188 2,067 1,675 710 1,617 1,69 Net profit 2,503 2,277 2,116 1,777 1,643 1,436 1,225 632 1,289 1,26 EBITA margin, % 13.6 13.4 13.6 12.5 11.2 10.8 9.6 5.8 9.5 9.5 EBIT margin, % 12.9 13.0 13.3 12.2 11.0 10.6 9.3 5.5 9.3 9.5 Return on capital employed, % 11.3 14.3 15.9 15.2 13.9 13.6 11.5 5.8 12.3 13. Return on shareholders' equity, % 11.4 12.5 12.9 12.3 12.0 11.2 10.0 5.6 12.8 12.5 EARING per share, sex 9.23 8.39 7.79 6.52 6.03 5.26 4.49 2.62 6.50 6.3 Deparating cash flow per share, sex 12.76 8.42 9.98 7.97 8.29 5.68 6.08 10.50 7.25 7.5 Cash conversion ratio, % 99 71 90 83 96 69 90 247 72 7 exterge number of employees 19,423 15,713 15,425 14.827 13,905 14,306 13,327 13,136 15,736 16,17 Continuing operations including items affecting comparability θ Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 Continuing operations including items affecting comparability θ Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 Continuing operations including items affecting comparability θ Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 Continuing operations including items affecting comparability θ 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.5 11.5 11.5 11.5 11	- of whom, outside Sweden										22,836
3,700 3,325 3,064 2,685 2,390 2,280 1,897 1,078 2,049 2,01 EBIT 3,496 3,219 3,001 2,613 2,342 2,231 1,840 1,021 1,996 1,95 Profit before tax 3,287 3,066 2,867 2,416 2,188 2,067 1,675 710 1,617 1,69 Net profit 2,503 2,277 2,116 1,777 1,643 1,436 1,225 632 1,289 1,26 EBITA margin, % 13.6 13.4 13.6 12.5 11.2 10.8 9.6 5.8 9.5 9.5 EBIT margin, % 12.9 13.0 13.3 12.2 11.0 10.6 9.3 5.5 9.3 9.5 Return on capital employed, % 11.3 14.3 15.9 15.2 13.9 13.6 11.5 5.8 12.3 13. Return on shareholders' equity, % 11.4 12.5 12.9 12.3 12.0 11.2 10.0 5.6 12.8 12.5 EARING per share, sex 9.23 8.39 7.79 6.52 6.03 5.26 4.49 2.62 6.50 6.3 Deparating cash flow per share, sex 12.76 8.42 9.98 7.97 8.29 5.68 6.08 10.50 7.25 7.5 Cash conversion ratio, % 99 71 90 83 96 69 90 247 72 7 exterge number of employees 19,423 15,713 15,425 14.827 13,905 14,306 13,327 13,136 15,736 16,17 Continuing operations including items affecting comparability θ Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 Continuing operations including items affecting comparability θ Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 Continuing operations including items affecting comparability θ Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 Continuing operations including items affecting comparability θ 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.5 11.5 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 11.5 11.5 11.5 11.5 11.5 11.5 11											
3,496 3,219 3,001 2,613 2,342 2,231 1,840 1,021 1,996 1,95 Profit before tax 3,287 3,066 2,867 2,416 2,188 2,067 1,675 710 1,617 1,699 1,95 Profit before tax 3,287 3,066 2,867 2,416 2,188 2,067 1,675 710 1,617 1,697 1,698 1,995 1,998 1,998 1,998 1,998 1,998 1,999		-									
Profit before tax 3,287 3,066 2,867 2,416 2,188 2,067 1,675 710 1,617 1,699 Net profit 2,503 2,277 2,116 1,777 1,643 1,436 1,225 632 1,289 1,266 EBITA margin, % 13.6 13.4 13.6 12.5 11.2 10.8 9.6 5.8 9.5 9. EBIT margin, % 12.9 13.0 13.3 12.2 11.0 10.6 9.3 5.5 9.3 9. Return on capital employed, % 11.3 14.3 15.9 15.2 13.9 13.6 11.5 5.8 12.3 13. Return on shareholders' equity, % 11.4 12.5 12.9 12.3 12.0 11.2 10.0 5.6 12.8 12. Earnings per share, sek 9.23 8.39 7.79 6.52 6.03 5.26 4.49 2.62 6.50 6.3 Operating cash flow 3,460 2,282 2,705 2,162 2,248 1,539 1,647 2,526 1,436 1,49 Operating cash flow per share, sek 12.76 8.42 9.98 7.97 8.29 5.68 6.08 10.50 7.25 7.5 Cash conversion ratio, % 99 71 90 83 96 69 90 247 72 7 Average number of employees 19,423 15,713 15,425 14,827 13,905 14,306 13,327 13,136 15,736 16,17 Continuing operations including items affecting comparability 9 Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5		,									2,013
Net profit 2,503 2,277 2,116 1,777 1,643 1,436 1,225 632 1,289 1,266 EBITA margin, % 13.6 13.4 13.6 12.5 11.2 10.8 9.6 5.8 9.5 9. EBIT margin, % 12.9 13.0 13.3 12.2 11.0 10.6 9.3 5.5 9.3 9. Return on capital employed, % 11.3 14.3 15.9 15.2 13.9 13.6 11.5 5.8 12.3 13. Return on shareholders' equity, % 11.4 12.5 12.9 12.3 12.0 11.2 10.0 5.6 12.8 12. Earnings per share, sek 9.23 8.39 7.79 6.52 6.03 5.26 4.49 2.62 6.50 6.3 Deparating cash flow 3,460 2,282 2,705 2,162 2,248 1,539 1,647 2,526 1,436 1,49 Deparating cash flow per share, sek 12.76 8.42 9.98 7.97 8.29 5.68 6.08 10.50 7.25 7.5 Eash conversion ratio, % 99 71 90 83 96 69 90 247 72 7 Eaverage number of employees 19,423 15,713 15,425 14,827 13,905 14,306 13,327 13,136 15,736 16,17 Each continuing operations including items affecting comparability 4 Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5 Each profit 1,436 1,4									•		1,958
EBITA margin, % 13.6 13.4 13.6 12.5 11.2 10.8 9.6 5.8 9.5 9. Return on capital employed, % 11.3 14.3 15.9 15.2 13.9 13.6 11.5 5.8 12.3 13. Return on shareholders' equity, % 11.4 12.5 12.9 12.3 12.0 11.2 10.0 5.6 12.8 12.8 12.8 12.8 12.8 12.8 12.8 12.9 12.9 12.0 12.0 11.1 10.0 5.6 12.8 12.8 12.8 12.8 12.8 12.8 12.9 12.9 12.9 12.0 12.0 13.0 14.1 15.0											
EBIT margin, % 12.9 13.0 13.3 12.2 11.0 10.6 9.3 5.5 9.3 9. Return on capital employed, % 11.3 14.3 15.9 15.2 13.9 13.6 11.5 5.8 12.3 13. Return on shareholders' equity, % 11.4 12.5 12.9 12.3 12.0 11.2 10.0 5.6 12.8 12. Earnings per share, sek 9.23 8.39 7.79 6.52 6.03 5.26 4.49 2.62 6.50 6.3 Operating cash flow per share, sek 12.76 8.42 9.98 7.97 8.29 5.68 6.08 10.50 7.25 7.5 Cash conversion ratio, % 99 71 90 83 96 69 90 247 72 7 Average number of employees 19,423 15,713 15,425 14,827 13,905 14,306 13,327 13,136 15,736 16,17 Continuing operations including items affecting comparability 40 Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5	·										
Return on capital employed, % 11.3 14.3 15.9 15.2 13.9 13.6 11.5 5.8 12.3 13. Return on shareholders' equity, % 11.4 12.5 12.9 12.3 12.0 11.2 10.0 5.6 12.8 12. Earnings per share, sex 9.23 8.39 7.79 6.52 6.03 5.26 4.49 2.62 6.50 6.3 Operating cash flow 3,460 2,282 2,705 2,162 2,248 1,539 1,647 2,526 1,436 1,49 0.0 Operating cash flow per share, sex 12.76 8.42 9.98 7.97 8.29 5.68 6.08 10.50 7.25 7.5 Cash conversion ratio, % 99 71 90 83 96 69 90 247 72 7 Average number of employees 19,423 15,713 15,425 14,827 13,905 14,306 13,327 13,136 15,736 16,17 (Continuing operations including items affecting comparability (Continuing operations including items affe	5 ·										9.9
Return on shareholders' equity, % 11.4 12.5 12.9 12.3 12.0 11.2 10.0 5.6 12.8 12. Earnings per share, sek 9.23 8.39 7.79 6.52 6.03 5.26 4.49 2.62 6.50 6.3 Operating cash flow 3,460 2,282 2,705 2,162 2,248 1,539 1,647 2,526 1,436 1,490 20 20 20 20 20 20 20 20 20 20 20 20 20											9.6
Earnings per share, SEK 9.23 8.39 7.79 6.52 6.03 5.26 4.49 2.62 6.50 6.3 Operating cash flow 3,460 2,282 2,705 2,162 2,248 1,539 1,647 2,526 1,436 1,49 0perating cash flow per share, SEK 12.76 8.42 9.98 7.97 8.29 5.68 6.08 10.50 7.25 7.5 Cash conversion ratio, % 99 71 90 83 96 69 90 247 72 7 Average number of employees 19,423 15,713 15,425 14,827 13,905 14,306 13,327 13,136 15,736 16,17 Continuing operations including items affecting comparability 4 Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5	, , , ,										13.3
Operating cash flow 3,460 2,282 2,705 2,162 2,248 1,539 1,647 2,526 1,436 1,49 Operating cash flow per share, sex 12.76 8.42 9.98 7.97 8.29 5.68 6.08 10.50 7.25 7.5 Cash conversion ratio, % 99 71 90 83 96 69 90 247 72 7 Average number of employees 19,423 15,713 15,425 14,827 13,905 14,306 13,327 13,136 15,736 16,17 Continuing operations including items affecting comparability 4 Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5	• •										12.9
Departing cash flow per share, SEK 12.76 8.42 9.98 7.97 8.29 5.68 6.08 10.50 7.25 7.5 Cash conversion ratio, % 99 71 90 83 96 69 90 247 72 7 Average number of employees 19,423 15,713 15,425 14,827 13,905 14,306 13,327 13,136 15,736 16,17 Continuing operations including items affecting comparability 4 Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5	- '										6.35
Cash conversion ratio, % 99 71 90 83 96 69 90 247 72 7 Average number of employees 19,423 15,713 15,425 14,827 13,905 14,306 13,327 13,136 15,736 16,17 15,17 15	Operating cash flow										1,496
Average number of employees 19,423 15,713 15,425 14,827 13,905 14,306 13,327 13,136 15,736 16,17 Continuing operations including items affecting comparability 4 Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.											7.55
Continuing operations including items affecting comparability 4) Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.											76
Return on shareholders' equity, % 10.1 11.5 11.9 9.8 12.5 10.4 8.9 3.6 7.4 11.5	Average number of employees	19,423	15,713	15,425	14,827	13,905	14,306	13,327	13,136	15,736	16,171
	Continuing operations including items affecting compa	rability ⁴⁾									
Earnings per share, SEK 8.18 7.73 7.13 5.20 6.27 4.88 3.99 1.69 3.77 5.49	Return on shareholders' equity, %	10.1	11.5	11.9	9.8	12.5	10.4	8.9	3.6	7.4	11.1
	Earnings per share, SEK	8.18	7.73	7.13	5.20	6.27	4.88	3.99	1.69	3.77	5.45

 $^{^{\}mbox{\tiny 1)}}$ Figures for 2012 have been adjusted for the transition effects of the amendment to IAS 19.

²⁾ 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. No dilutive effects occurred.

³⁾ Dividend in accordance with the proposed treatment of unappropriated earnings.

 $^{^{\}scriptsize 4)}$ For comparability, historical values have been adjusted for discontinuing operations.

FINANCIAL DEFINITIONS

Trelleborg uses the following alternative performance measures relating to its financial position: return on shareholders' equity and return on capital employed, net debt, debt/equity ratio and equity/assets ratio. The Group believes that these performance measures can be utilized by users of the financial statements as a supplement in assessing the possibility of dividends, making strategic investments and assessing the Group's ability to meet its financial commitments. Trelleborg also uses the cash flow metrics of operating cash flow and free cash flow to

provide an indication of the funds generated by the operations in order to conduct strategic investments, carry out amortizations and generate a return for its shareholders. Trelleborg uses the performance metrics of EBITDA, EBITA and EBIT excluding items affecting comparability, which the Group considers to be relevant for investors seeking to understand its earnings generation before items affecting comparability. The Group defines its key figures as follows.

- Average number of employees Average number of employees during the year based on hours worked. Excluding insourced staff.
- Capital employed Total assets less interest-bearing receivables and non-interest-bearing operating liabilities (including pension liabilities) and excluding tax assets and tax liabilities.¹⁾
- Cash conversion ratio Operating cash flow as a percentage of EBIT.
- Debt/equity ratio, % Net debt divided by total equity.
- **Discontinuing operations** Profit from discontinuing operations is recognized net in the consolidated income statement under the item "Net profit in discontinuing operations".
- **Dividend yield** Dividend as a percentage of the share price.
- **Earnings per share** Profit for the period, attributable to shareholders of the Parent Company, divided by the average number of shares outstanding.
- **EBIT** Operating profit including items affecting comparability
- **EBIT excluding items affecting comparability** Operating profit excluding items affecting comparability.
- EBIT margin excluding items affecting comparability, % EBIT excluding items affecting comparability as a percentage of net sales.
- **EBITA** Operating profit excluding amortization and impairment of intangible assets and excluding items affecting comparability.
- EBITA margin, % EBITA as a percentage of net sales.

- **EBITDA** Operating profit excluding depreciation/amortization and impairment of PPE and intangible assets and excluding items affecting comparability.
- **EBITDA margin, %** EBITDA excluding participations in the profit/loss of jointly owned/associated companies as a percentage of net sales.
- EBITDA/Net interest income/expense EBITDA divided by net interest income/expense (interest income less interest expenses).
- Equity/assets ratio Total equity divided by total assets.
- **Equity method** Associated companies and joint ventures in the Group are recognized in line with the equity method, implying that the initial participation is changed to reflect the Group's share in the company's profit or loss and for any dividends.
- **Free cash flow** Operating cash flow reduced by 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.
- **Items affecting comparability** The total of the restructuring costs approved by the Board of Directors and major non-recurring items.
- **Net debt** Interest-bearing liabilities less interest-bearing assets and cash and cash equivalents. ¹⁾
- 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 non-cash items, capital expenditures, divested PPE and changes in working capital. The key figure excludes cash flow from items affecting comparability.

- **Operating cash flow per share** Operating cash flow divided by the average number of shares outstanding.
- **Organic growth** The sales growth in comparable exchange rates that is generated by the Group itself on its own merits and in the existing structure.
- P/E ratio Market price divided by earnings per share.
- **Pro forma** Pro forma calculations include total Group consolidation from the most recent 12-month period plus acquisitions and divestments in order to reflect current continuing operations.
- Rate of capital turnover Net sales as a percentage of average capital employed.
- **Return on capital employed, %** EBIT divided by the average capital employed.
- Return on shareholders' equity, % Profit for the period, attributable to shareholders of the Parent Company, divided by average 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 U.K.
- ¹⁾ The outstanding receivable related to the divestment of Vibracoustic is recognized as a financial receivable and thus does not affect the Group's net debt.

GLOSSARY

- 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).
- **Cryogenic hose** Hose adapted to handling fluids with a very low temperature.
- **FPSO** (Floating Production, Storage and Offloading). Offshore floating facilities for producing, storing and offloading natural gas, for example.
- 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.

- Integrated reporting A method that, more clearly than conventional financial reporting, captures the overall extent of an operation's competitiveness by also reflecting non-financial strategic key figures or indicators, including sustainability-related factors.
- 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 achieving sustainability.
- LMU (Leg Mating Unit) Structures that are used for installation of topside structures on substructures at sea in a floatover process that reduce impact loads.
- LNG Liquefied Natural Gas.
- LSR Liquid Silicone Rubber.
- MRO Maintenance, Repair and Operations.
- **OEM** (Original Equipment Manufacturer) A company that manufactures an end-product that can be sold on the open market. The product often consists of a combination of proprietarily manufactured and purchased components from suppliers that are assembled by the OEM company to make the final product.

- 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, and 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.
- **ROV** Remotely Operated Vehicles.
- Safety@Work A program of preventative measures to forestall injuries and illness at all of Trelleborg's work-places. The program supports an organizational change to create a culture of safety and strengthens the Group's ability to attract, develop and retain employees in all its operations.
- VIV Vortex Induced Vibration.

TRELLEBORG ON THE INTERNET, IN YOUR MOBILE AND ON YOUR TABLET

ANNUAL REPORT

Trelleborg distributes a paper version of the Annual Report only to those who have specifically requested a copy. If you wish to receive a paper copy of the Annual Report, it can be ordered on the company's website.

FINANCIAL CALENDAR 2017

Interim report January-March Annual General Meeting (Trelleborg) Interim report April-June Interim report July-September Year-end report 2017 April 27 April 27, 5:00 p.m. July 20 October 27 February 2, 2018

- **Keep up to date with us on our website:** www.trelleborg.com
- Follow us on Facebook: www.facebook.com/trelleborggroup
- Follow us on Twitter: twitter.com/trelleborggroup
- Follow us on LinkedIn: www.linkedin.com/company/trelleborg
- **See our films on YouTube:** www.youtube.com/trelleborg

INFORMATION ABOUT THE 2017 ANNUAL GENERAL MEETING

The Annual General Meeting of Trelleborg AB (publ) will be held on Thursday, April 27, 2017, at 5:00 p.m. in Söderslättshallen in Trelleborg, Sweden.

Program

2:45 p.m. Registration and light refreshments

3:30 p.m. Meeting hall opens

5:00 p.m. Annual General Meeting commences

Notification. Shareholders who wish to participate and vote in the Meeting must be entered in the share register maintained by Euroclear Sweden AB by Friday, April 21, 2017 and notify the company of their intention to participate – with any advisors – not later than 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 Friday, April 21, 2017. Such registration should be requested of the trustee a couple of working days in advance of this date.

Notification of attendance via:

- » the Group's website: www.trelleborg.com
- » post to Trelleborg AB, "Årstämma", c/o Euroclear Sweden AB, PO Box 191, SE-101 23 Stockholm, Sweden
- » telephone to +46 410 670 04



The notification should state the share-holder'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 2017 Annual General Meeting.

Proposed dividend: The Board of Directors and the President propose a cash dividend

of SEK 4.25 (4.00) per share to be paid to the shareholders. Tuesday, May 2, 2017 is proposed as the date of record. If the Meeting approves the proposal, the dividend is expected to be distributed by Euroclear Sweden AB on Friday, May 5, 2017.

The complete notification of the Annual General Meeting will be available at www.trelleborg.com.

Trelleborg AB is a public limited liability company. Corporate Registration Number: 556006-3421. The Group's headquarters are in Trelleborg, Sweden.

The Annual Report is published in Swedish and English.

This is a translation of the company's definitive Annual Report for 2016 in Swedish. The Swedish-language version is the original and has been audited by Trelleborg's auditors. The 2015 Annual Report was published in March 2016.

All values are expressed in Swedish kronor. Kronor is abbreviated to $_{\text{SEK}}$ and millions of kronor to $_{\text{SEK}}$ m. Unless otherwise stated, figures in parentheses relate to the preceding fiscal year, 2015. All figures in the section "The Group in brief" and "Business areas" relate to continuing operations, unless otherwise stated.

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.

This Annual Report was produced in collaboration with RHR/CC in Malmö, Sweden, carries the Nordic Ecolabel and was printed by BoardingInStore in Helsingborg using printing blankets from the Trelleborg Group and vegetable-based inks. Translation by The Bugli Company.

Index with reference to Global Reporting Initiative (GRI): Indicator categories: EC=Economic, EN=Environmental, LA=Labor Practices and Decent Work, HR=Human Rights, SO=Society. An indicator with an asterix* signifies an indicator with comments regarding aspects that have been omitted (these can be found in the GRI index in the 2016 Trelleborg Corporate Responsibility Report).

Addresses

Head offices

Trelleborg AB (publ)

PO Box 153, SE-231 22 Trelleborg, Sweden Visitors: Johan Kocksgatan 10

Tel: +46 410 670 00 Internet: www.trelleborg.com

Trelleborg Treasury

PO Box 7365, SE-103 90 Stockholm, Sweden Visitors: Jakobsbergsgatan 22

Tel: +46 8 440 35 00

Business areas

Trelleborg Coated Systems

Strada Provinciale 140 IT-268 55 Lodi Vecchio, Italy Tel: +39 037 140 61 e-mail:

coated.systems@trelleborg.com

Trelleborg Industrial Solutions

SE-231 81 Trelleborg, Sweden Visitors: Johan Kocksgatan 10 Tel: +46 410 510 00

industrial-solutions@trelleborg.com

Trelleborg Offshore & Construction

SE-231 81 Trelleborg, Sweden Visitors: Johan Kocksgatan 10 Tel: +46 410 510 00 e-mail:

offshore.construction@trelleborg.com

Trelleborg Sealing Solutions

Handwerkstrasse 5-7 DE-70565 Stuttgart, Germany Tel: +49 711 7864 0 e-mail:

sealing.solutions@trelleborg.com

Trelleborg Wheel Systems

Via Naz, Tiburtina, 143 IT-00010 Villa Adriana (Roma), Italy Tel: +39 0774 38 41 e-mail: wheel.systems@trelleborg.com

GRI: G4-28, G4-29, G4-30, G4-31 ANNUAL REPORT 2016 TRELLEBORG AB 1

Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications in demanding environments. Its innovative solutions accelerate performance for customers in a sustainable way.

The Trelleborg Group has annual sales of SEK 31 billion and operations in about 50 countries. The Group comprises five business areas: Trelleborg Coated Systems, Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg Sealing Solutions and Trelleborg Wheel Systems, and the operations of Rubena and Savatech.

The Trelleborg share has been listed on the Stock Exchange since 1964 and is listed on Nasdaq Stockholm, Large Cap.

WWW.TRELLEBORG.COM