

# Annual Report 2012



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# Trelleborg in brief 2012

- **Founded in 1905**
- **Sales in 2012: SEK 21,262 M**
- **Employees at year-end 2012: 15,280**
- **Operations in 43 countries**
- **Listed on the Stockholm Stock Exchange since 1964, NASDAQ OMX Stockholm, Large Cap**
- **Head office in Trelleborg, Sweden**

## A world leader in engineered polymer solutions

The Trelleborg brand is well recognized throughout the world in a range of market segments. It represents Trelleborg's promise and offering; solutions that **seal**, **damp** and **protect** critical applications in demanding environments. Our innovative solutions accelerate performance for customers in a sustainable way.



Trelleborg AB is a public limited liability company. Corporate Registration Number: 556006-3421. The Group's headquarters are in Trelleborg, Sweden.

This is a translation of the company's definitive Annual Report for 2012 in Swedish.

All values are expressed in Swedish kronor. Kronor is abbreviated to SEK and millions of kronor to SEK M. Unless otherwise stated, figures in parentheses relate to the preceding fiscal year, 2011.

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.

■ **Audited Board of Directors' Report, pages 4–20, 38–55 and 61–97.**

**Assured Corporate Responsibility Report, pages 7, 32–36. 56–60 and information that refers to the GRI index on page 100.**

**Index with reference to Global Reporting Initiative (GRI):** An indicator in parentheses signifies a partially reported indicator. Indicator categories: EC=Economic, EN=Environmental, LA=Labor Practices and Decent Work, HR=Human Rights, SO=Society, PR=Product Responsibility. "Governance EC, EN, LA, HR, SO, PR" entails reporting of the indicator "Disclosures on Management Approach."

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## New organization

To obtain an even stronger focus on core businesses, it was announced in December 2012 that the Trelleborg Engineered Systems business area would cease to exist at year-end 2012 and split into three new business areas. Trelleborg now has five business areas: Trelleborg Coated Systems, Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg Sealing Solutions and Trelleborg Wheel Systems, which are presented in the annual report, refer to pages 10-19.

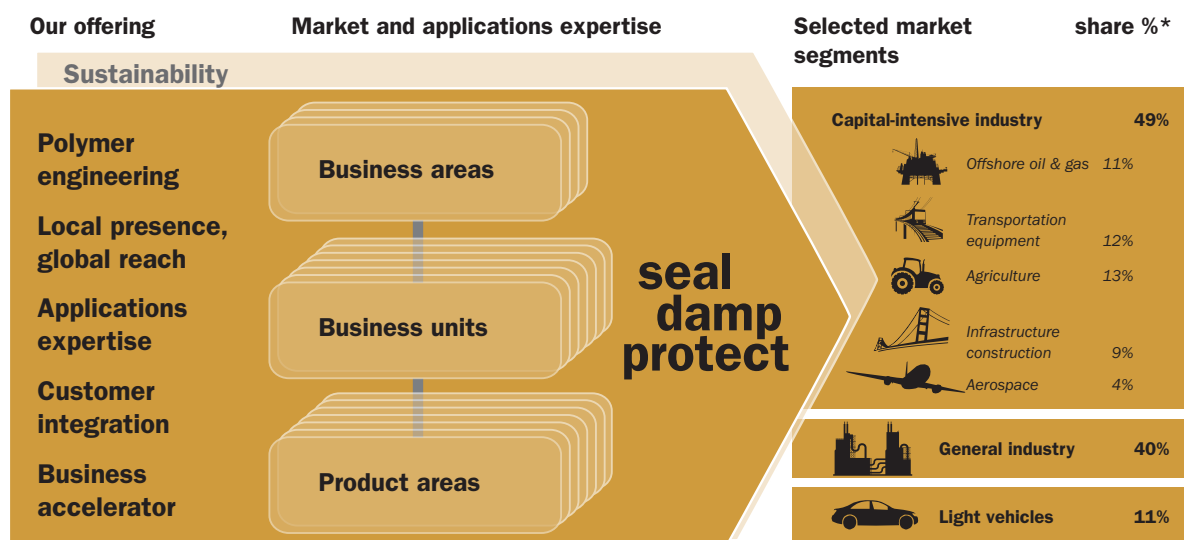
## Joint venture formed

In July 2012, Trelleborg and Freudenberg formed a 50/50 joint venture in antivibration solutions for light and heavy vehicles, TrelleborgVibracoustic. The joint venture consists of Trelleborg's former antivibration operation in the form of Trelleborg Automotive and Freudenberg's corresponding activities, Vibracoustic. As of the third quarter 2012, the Trelleborg Automotive business area no longer forms part of the Trelleborg Group's business area structure due to its inclusion in the joint venture, refer to page 20.

## New financial targets

A review of the Group's financial targets was performed in 2012 as a result of the changes that have taken place at the Trelleborg Group and the company's plans for the future. The outcome of this review is that new, more ambitious financial targets will apply from the 2013 fiscal year, refer to page 7.

# The value we create



\* Share of Trelleborg Group's sales in 2012.

Key figures, continuing operations	2012	2011
Net sales	21,262	21,043
Operating profit, excluding items affecting comparability and the participation in TrelleborgVibracoustic	2,342	2,231
Operating margin (ROS), %	11.0	10.6
Items affecting comparability	11	-138
Participation in TrelleborgVibracoustic	109	-
Operating profit	2,462	2,093
Operating margin (ROS), %	11.6	9.9
Operating cash flow	2,248	1,539
Return on capital employed, excluding items affecting comparability (ROCE), %	13.7	13.6
Average number of employees	13,905	14,306

# Change and continuity – the basis of our success

2012 was a good year for the Trelleborg Group. In a turbulent economic climate, we improved our geographic balance and portfolio of operations, and strengthened our market positions. Net sales and earnings rose slightly despite an increasingly challenging market environment. The Group has a strong financial base. With the joint venture, TrelleborgVibracoustic, and a new business area organization, we have built on our robust strategy and operational structure. I would like to thank all of our employees for their tremendous hard work over the year. We are pleased by our successes but are far from satisfied. We will continue to strive to be even better.

Developments in 2012 confirmed that the Trelleborg Group's many years of change efforts have generated results. The Group showed its strength in the upturn in the first half of the year and also its robustness and stability during the gradual deterioration in market demand in the second half of the year. Not all parts of the Group achieved their full potential and these are facing a variety of challenges in the current business cycle. But the balance of the Group structure and our operational quality allow us to continue to strengthen our positions in the market and perform on a par with, or even surpass, our business targets.

## Strength in a challenging year.

- Overall, demand in North America was favorable, while it was mixed in high-growth countries and weak in Europe. Sales growth increased in certain market segments, such as aerospace, offshore oil & gas and project-related businesses, while a decline was noted for general industry and transportation equipment. In total, sales for the Group rose slightly to SEK 21,262 M – a trend that we believe meant that we continued to gain market shares.
- Operating profit rose again, up 5 percent, to SEK 2,342 M. This is solid proof of the Group's strength. Our long-term change activities focusing on selected profitable segments are not only manifesting themselves in improved earnings as volumes rise, but also provide resilience in less prosperous times. The operating margin was 11 percent.
- Our operating cash flow was strong at SEK 2,248 M, despite a higher level of

capital expenditure. This was partly the result of an intense focus on working capital. Our net debt declined, while the equity/assets ratio further improved. The Group now has adequate financial strength, giving us the scope to continue to significantly improve its positions in the next few years.

**Key strategic milestones.** We passed several key strategic milestones in 2012. TrelleborgVibracoustic became operational in the third quarter, we launched a new business area organization and the Board adopted new financial targets.

TrelleborgVibracoustic is a 50/50 joint venture and the result of the merger of our operation in antivibration solutions for light and heavy vehicles with Freudenberg's corresponding operation. The company generates pro forma sales of SEK 14 billion, is a global market leader and offers an excellent combination of operations that complement each other well in terms of geographical coverage, product portfolio and customers.

The formation of TrelleborgVibracoustic prompted a review of the Group's business area organization. At year-end 2012, the Trelleborg Engineered Systems business area ceased to exist and was split into three new areas: Trelleborg Coated Systems, Trelleborg Industrial Solutions and Trelleborg Offshore & Construction. The operations of these three areas have diverse business models and they had reached a point of critical mass so that it was time for them to stand alone. The reorganization clarifies our core businesses, our know-how and our offering, while intensifying our strategic and



operational focus for management and employees. In addition, the new organization will help bring our products and solutions to market quicker on the basis of shorter decision-making paths.

Effective 2013, the Group has a new series of financial targets. Despite experiencing a historically difficult period in the global economy since 2008, the Trelleborg Group has achieved or surpassed its targets for 2011-2012. Such a performance combined with TrelleborgVibracoustic and the reorganization during the year, have now created the conditions for a higher level of ambition. I do not view this as merely a vision – but as being realistic, achievable and compatible with responsible risk-taking.

Sustainability is becoming an increasingly visible part of Trelleborg's business operations. We are working on this issue in various dimensions and are increasingly highlighting how our solutions are beneficial for society as well as for our customers. Sustainability is integrated throughout our operations, for example, in terms of purchasing, customers and supplier contacts. Today, sustainability is a natural element for us at Trelleborg and, just like in other areas, our focus is on continuous improvement.

**Continuity in steady improvements – strategic choices.** 2012 was characterized by several major, forward-looking strategic advances. However, we have retained the same vision, strategies and priorities for our continuous improvement work. Every day we discover new things that we can do in a smarter way, more simply or more cost efficiently.

The implication of this continuity is a strong willingness to continue creating increasingly high value for all of our stakeholders. The foundation is our applications know-how and our customer focus. Together with our polymer expertise, and local presence in combination with our global reach, this makes us a partner that can help customers sell more or boost their profitability. We continuously endeavor to enhance customer value through better products and solutions, and by making it easier for our customers to do business with us.

**Strategic initiatives.** Our most important strategic initiatives are improved geographic balance, improved structures, portfolio optimization and excellence in everything we do.

The Trelleborg Group now has a significantly improved risk profile, growth

and profitability due to its investment in increasing its presence in high-growth countries. Drivers include being located close to customers and following them in their globalization process, and developing local customer relationships. We are making our global expertise more accessible through our local presence. In 2012, we established seven new production facilities in China, India and Brazil. The establishment of operations in high-growth countries will continue.

Portfolio optimization involves continuously driving the operations toward more profitable niches in which Trelleborg's expertise will generate market leadership. Our niches, or market segments, are in selected regions, products and solutions or customer categories, often in attractive combinations.

Leading positions are achieved through both organic growth and bolt-on acquisitions to strengthen market presence and the product range. At the same time, we will move forward in the value chain, toward more advanced products and total solutions, based on close collaboration with customers in early stages of development. Market leadership also supports price leadership, a key theme in our excellence program.

A common feature of portfolio optimization for an improved Group structure since 2007 is the lower exposure to the light vehicles segment, where we have divested several operations in recent years and formed TrelleborgVibracoustic in 2012. In addition, we have divested other operations and invested in growing niches.

Acquisition activities are significant to the Trelleborg Group. Nevertheless, organic growth remains our primary focus.

The excellence programs will continue to have high priority in management work going forward and are concentrated on such strategic areas as manufacturing, purchasing, sales and management of working capital. We are working in a structured manner on analyses and various lean techniques governed by targets and key figures for continuous improvements that will lead to lower costs, better quality, enhanced efficiency and higher income. This will result in profitability continuing to improve.

Furthermore, we are convinced that new digital solutions will become an increasingly important part of our partnerships with customers in the future, and we want to be innovative and a leader in these new solutions.

**Focus on employee skills.** A common feature of the excellence programs is an intense focus on our human capital and the skills of our employees. We aim to hold a leading global position in central business processes based on more education, training and best-in-class solutions. These efforts include the further development of talent management – working at Trelleborg should be challenging yet attractive, in all of the regions and cultures in which we conduct operations.

Trelleborg stands for respect for differences between people and secure working conditions, and there is a preference to recruit locally and internally. We give our employees great freedom coupled with responsibility, and encourage fast-moving and decisive management. Mistakes can be made if they lead to better knowledge and experience. We are building up a culture that encourages commitment, assuming responsibility, a high standard of ethics in customer relationships, and positive interaction with the communities in which we work.

**Future outlook.** Economic signals and assessments at the start of 2013 offer hope that the trough of the current economic downturn has been reached. However, the global economy continues to grapple with significant problems, primarily in the financial sector, with the debt situation in southern European countries at the center. However, difficult and demanding political and budgetary measures provide insight into the problems involved in handling the debt crisis. The level of risk and uncertainty will remain at a macroeconomic level during the first quarter and warrants a cautious approach regarding financial stability, primarily in Europe, and flexibility in a global company such as Trelleborg. The Group experienced a mixed demand profile in the first quarter of 2013, with weak performance mainly in parts of Europe.

No clear forecast can be presented for Trelleborg, but the Group has operational strength and financial stability that affords it aggressive scope for action when the economy improves.

*Trelleborg, February 2013*



*Peter Nilsson, President and CEO*





## Strong performance for the Trelleborg share

The stock market was volatile in 2012, but ended on a positive note. The year was dominated by economic policy issues in the EU, concerns about the strength of the U.S. economy, and continued albeit slower growth rate in China and several other key high-growth countries.

NASDAQ OMX Stockholm rose 10 percent (decline: 18)<sup>1)</sup>. The price of Trelleborg's Series B share rose 33 percent (decline: 19).

**Long-term and favorable yield.** The total yield for Trelleborg's Series B share was 39 percent, compared with 16 percent for the SIXRX index<sup>2)</sup>. Over the past five years, Trelleborg's Series B share has averaged a total yield of 28 percent per year. The corresponding figure for SIXRX is 9 percent.

**Share price and turnover.** As well as the NASDAQ OMX Stockholm, the Trelleborg share is traded in such marketplaces as Burgundy, Chi-X, Turquoise and BATS Europe. The NASDAQ OMX Stockholm is the largest, with 66 percent of the share trading, followed by Chi-X with 19 percent, BATS Europe with 8 percent, Burgundy with 5 percent and Turquoise with 2 percent of share trading.

During 2012, a total of 450 million Trelleborg shares (573) were traded, of which 296 million (368) on the NASDAQ OMX Stockholm. This figure corresponds to 166 percent (236) of the total number of shares in the company. The total share turnover amounted to SEK 29,674 M (34,668). The average daily turnover amounted to 1,799,645 shares (2,263,999) or SEK 118.7 M (137.0). During the year, the highest price was

SEK 81.85 on December 12 and the low-est price was SEK 60.40 on January 2.

**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 adapted to such factors as the Group's earnings level, financial position and future development opportunities. For 2012, the Board proposes a dividend of SEK 3.00 (2.50), which corresponds to about 40 percent of net profit for the year. Over the past five years, the average yield of the Trelleborg share has been 2,3 percent per year.

**Shareholders.** Trelleborg's Series B share has been listed on the NASDAQ OMX Stockholm since 1964 and is listed on the NASDAQ OMX Nordic List, Large Cap.

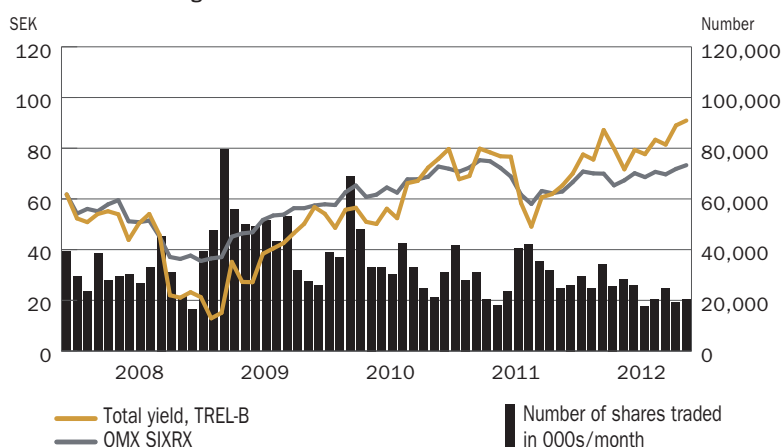
The share capital in Trelleborg amounts to SEK 2,620 M, represented by 271,071,783 shares, each with a par

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 entitles the holder to one vote and each Series B share to one-tenth of a vote. All of the Series A shares are owned by the Dunker Interests, comprising a number of foundations, funds and asset- management companies created through testamentary disposition by former owner and founder of the Helsingborg and Trelleborg rubber production plants, Henry Dunker, who died in 1962. For further information about the Dunker Interests and its holding in Trelleborg AB, visit [www.trelleborg.com](http://www.trelleborg.com).

Further information about the Trelleborg share can be found at <http://trelleborg.com/en/Investors/>.

**Analysts.** For a current list of the analysts that continuously monitor Trelleborg, visit <http://trelleborg.com/en/Investors/The-Trelleborg-Share/Analysts/>.

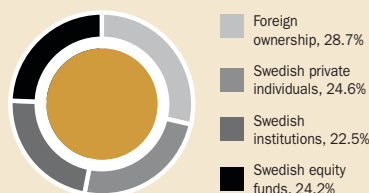
Price trend and trading volume Jan 2008 – Jan 2013



<sup>1)</sup> OMXS PI, OMX Stockholm PI, an index for the value of all shares listed on NASDAQ OMX Stockholm.

<sup>2)</sup> SIXRX, SIX Return Index, the average trend on NASDAQ OMX Stockholm including dividends.

## Ownership structure December 31, 2012, holding, %



Of the total number of shares, foreign shareholders accounted for approximately 28.7 percent at December 31, 2012, an increase of 6.1 percentage points since the preceding year.

## Trelleborg AB's ten largest shareholders as of December 31, 2012

No.	Shareholder	Percentage of capital, %	Percentage of voting rights, %
1	Dunker Interests	10.7	54.1
2	Didner & Gerge Equity Fund	6.7	3.4
3	Lannebo funds	3.7	1.9
4	DFA funds (U.S.)	3.1	1.6
5	Swedbank Robur funds	2.7	1.4
6	SEB funds	2.6	1.4
7	Norges Bank Investment Management	2.4	1.3
8	Unionen	2.3	1.2
9	SHB funds	2.2	1.1
10	The Fourth Swedish National Pension Fund	1.8	0.9
<b>Total</b>		<b>38.2</b>	<b>68.3</b>

Source: SIS Shareholder Services.

## Distribution of shares as of December 31, 2012

Number of shares	Number of shareholders	Percentage of total number of shares, %	Change from Dec 31, 2011, percentage points
1 – 1,000	39,176	78.5	1.0
1,001 – 5,000	8,730	17.5	-0.8
5,001 – 20,000	1,472	2.9	-0.2
20,001 –	554	1.1	0.1
<b>Total</b>	<b>49,932</b>	<b>100</b>	

## Number of shares, voting rights and share class

Share class	Capital, %	Shares	Voting rights, %
Series A	10.7	28,500,000	54
Series B	89.3	242,571,783	46
<b>Total</b>	<b>100</b>	<b>271,071,783</b>	<b>100</b>

Source: Euroclear, SIS Shareholder Services.

## Key data per share

SEK (unless specified otherwise)	2012	2011	2010	2009	2008
<b>Continuing operations</b>					
Earnings	6.55	4.90	4.00	1.70	3.75
Earnings excl. items affecting comparability	6.30	5.25	4.50	2.60	6.50
<b>Total</b>					
Earnings	7.55	6.70	4.30	1.70	-1.35
Earnings after dilution	7.55	6.70	4.30	1.70	-1.35
Shareholders' equity per share	52.15	49.20	44.55	45.30	51.20
Shareholders' equity per share after dilution	52.15	49.20	44.55	45.30	51.20
Dividend per share <sup>1)</sup>	3.00	2.50	1.75	0.50	–
Yield, %	3.7	4.2	2.5	0.9	–
Market price B share December 31, last paid price, SEK	80.55	59.75	71.10	53.50	22.00
P/E ratio	11	9	17	31	neg
Turnover of series B share, calculated by value, %	166	236	236	225	211
At Dec 31	271,071,783	271,071,783	271,071,783	271,071,783	90,357,261
Average	271,071,783	271,071,783	271,071,783	240,699,594	198,178,530

<sup>1)</sup> According to the Board of Directors' and President's proposal.

## Sustainability indexes

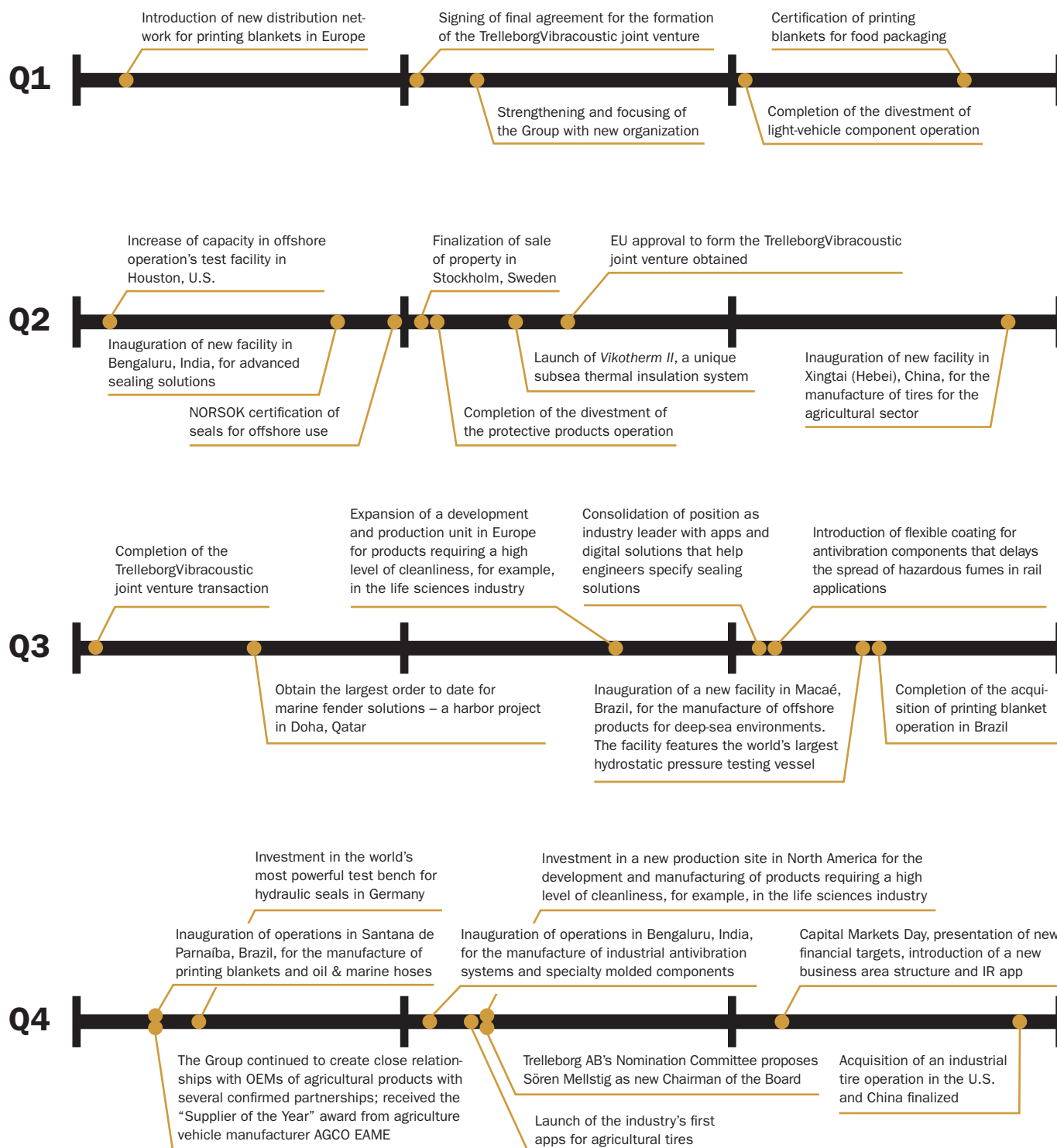
In 2012, Trelleborg was included in the following sustainability indexes:

- OMX GES Sustainability Sweden
- OMX GES Sustainability Nordic
- OMX GES Ethical Nordic
- OMX GES Ethical Sweden
- OMX GES Sustainability Sweden Ethical



# Significant events during the year

Enhanced geographic balance, improved structure and continued portfolio optimization





# New targets for the Trelleborg Group

## Toward continued increase in profitability and growth

**New targets.** In 2012, a review of the Group's financial targets was performed resulting in new, more ambitious financial targets that will apply from the 2013 fiscal year. These new targets should be weighed against the Group's ambition to

increase value generation and become a world leader in selected market segments and geographic markets, in addition to an assessment of global growth and adequate financial security.

In 2012, Trelleborg also simplified

and focused the Corporate Responsibility performance indicators to reflect the most important development areas for the Group.

### Organic growth over an economic cycle<sup>1)</sup>

# ≥5%

**Target:** The target for the average annual organic growth over an economic cycle is 5 percent. In addition, further growth will occur through complementary acquisitions. This is unchanged compared with the earlier target.

**Fulfillment:** In 2012, organic growth increased 1 percent (9). The Group maintained or improved its market positions despite a slower rate of growth in parts of the world.

### Operating margin over an economic cycle<sup>1)</sup>

# ≥12%

**Target:** The target for the operating margin (EBIT margin) is 12 percent<sup>3)</sup>. The former target was an EBITDA margin of 12 percent for continuing operations excluding items affecting comparability.

**Fulfillment:** The operating margin in 2012 rose to 11.0 percent (10.6), due primarily to a relatively stable sales trend and continued favorable efficiency and cost control.

### Return on equity (ROE)<sup>2)</sup>

# ≥15%

**Target:** The long-term target for return on equity is 15 percent. This is unchanged compared with the earlier target.

**Fulfillment:** In 2012, return on equity was 12.9 percent (10.4). The improvement compared with 2011 is the result of a higher operating margin and improved income tax and net financial items.

### Corporate Responsibility targets Trelleborg has applied the following main performance indicators since 2012

Environmental management	<p><b>Target:</b> Implement environmental management systems in 90 percent of production units, with ISO 14001 certification for 85 percent.</p> <p><b>Fulfillment:</b> 78 percent (77) of the units are certified; 69 of 88.</p>
Climate	<p><b>Target:</b> Reduce direct and indirect CO2 emissions by at least 15 percent relative to sales by 2015 (base year 2008).</p> <p><b>Fulfillment:</b> Due to the major divestments in 2012, the figure for the base year has been revised (as is the case for all historical CR values). The base value was 14.1 tons/SEK M. In 2012, the value was 11.5 tons/SEK M, an improvement of 18 percent compared with 2008 and of 5 percent since the preceding year.</p>
Safety@Work	<p><b>Target:</b> Occupational injuries and illnesses (defined as Lost Work Cases, LWC, per 100 employees) are to be lower than 3.0 at each production site. The average number of work days lost per injury per year is to be lower than 50 at each site. From 2013, the outcome will be presented as a share of production sites that have met the respective targets.</p> <p><b>Fulfillment:</b> The average outcome in 2012 for these indicators was as follows: the number of LWCs per 100 employees was 2.49 (2.31), while the number of work days lost per injury per year was 25 (26).</p>
Suppliers	<p><b>Target:</b> Work with suppliers who support the applicable parts of the company's Code of Conduct; implementation of self-assessment of suppliers corresponding to 80 percent of the purchase value.</p> <p><b>Fulfillment:</b> In 2012, Trelleborg was close to achieving the target set: 79.5 percent (75) of the suppliers were assessed.</p>
Transparency	<p><b>Target:</b> Continuously develop the company's CR reporting in accordance with Global Reporting Initiative guidelines, at a minimum of Level B+.</p> <p><b>Fulfillment:</b> Once more, the 2012 CR report is compliant with GRI Guidelines, version 3, and is judged by a third party (PwC) to fulfill the requirements for level B+.</p>

In addition, zero tolerance of the following applies:

- bribery, corruption or cartel behavior
- the occurrence of child or forced labor
- the occurrence of discrimination, reported and reviewed.

<sup>1)</sup> Continuing operations excluding participations in TrelleborgVibracoustic and excluding items affecting comparability.

<sup>2)</sup> Continuing operations, including participations in TrelleborgVibracoustic and including items affecting comparability.

<sup>3)</sup> Corresponds to an EBITDA margin of about 15 percent.

# The Group in brief

## Favorable earnings and strengthened positions

### Trend in the Group's market segments

The market conditions varied among the Group's market segments during the year. Demand from offshore oil & gas, infrastructure and aerospace was higher than in 2011. Demand in the agriculture industry was strong mainly in the first six months of the year, but declined during the second half of the year. Demand from general industry, transportation equipment and light vehicles was on a par with or slightly lower than in the preceding year. The Group's market positions were generally retained or improved.

### Net sales, continuing operations

	2012	2011
Net sales, SEK M	21,262	21,043
Change in %		
Organic sales	+0.6	+9.2
Structural change	+0.5	+3.7
Currency effect	-0.1	-6.3
<b>Total</b>	<b>+1.0</b>	<b>+6.6</b>

The organic sales growth for the full year was 1 percent (9), which is satisfactory in light of the challenging economic situation in the market. Excluding exchange-rate effects, sales during the first six months of the year were somewhat higher than in the second half of the year. Organic sales growth in the business areas varied during the year. Trelleborg Offshore & Construction and Trelleborg Wheel Systems noted positive growth, while the full-year performance of the other three business areas was negative, although an improvement was noted toward the end of the year. There was considerable variation among the countries. The sales trend in Europe was mixed, while North America recorded strong organic sales growth of 15 percent. Combined sales to countries in Asia grew organically by about 2 percent, and sales in China and Australia increased by 6 percent and 5 percent, respectively. Refer to pages 62-64.

### Earnings, SEK M

	2012	2011
Operating profit, excluding items affecting comparability and participation in TrelleborgVibracoustic	2,342	2,231
Operating margin (ROS), %	11.0	10.6
Items affecting comparability	11	-138
Participation in TrelleborgVibracoustic	109	-
Operating profit	2,462	2,093
Operating margin, (ROS), %	11.6	9.9

The Group's operating profit, excluding items affecting comparability and participations in TrelleborgVibracoustic, rose by 5 percent.

Operating profit increased primarily due to a relatively stable sales trend, continued favorable efficiency and cost control.

The Group's focus on high-growth countries is associated with start-up costs and these were charged to profit for the year. During the year, the Group continued to adapt production to the prevailing economic climate, which had a certain negative effect on earnings at the same time as inventory levels continued to decline.

The operating margin, excluding items affecting comparability and participations in TrelleborgVibracoustic, amounted to 11.0 percent (10.6). In general terms in the Group, both implemented and ongoing restructuring programs continued to yield positive effects in the form of more efficient structures and lower costs. Refer to pages 65-66.

### Cash flow, SEK M

	2012	2011
Operating cash flow	2,248	1,539
Free cash flow	1,714	675
Net cash flow	740	-67

Operating cash flow in 2012 amounted to SEK 2,248 M (1,539). A somewhat

higher level of capital expenditure compared with the preceding year was amply offset by improved operating profit and a positive working capital trend.

### Net debt – capital structure

	2012	2011
Net debt, SEK M	5,360	6,425
Net debt/EBITDA, times	1.7	2.3
Debt/equity ratio, %	38	48

Net debt declined during the year, as did the debt/equity ratio. Net debt was negatively impacted by acquisitions and positively affected by interest-bearing receivables from the associated company TrelleborgVibracoustic, which will be settled in the first quarter of 2013 (refer to page 70).

The Group has adequate financial strength providing freedom and options to proactively improve positions in the market in the years ahead.

### Key figures, Group, SEK M

	2012	2011
Operating profit	2,815	2,689
Profit before tax	2,626	2,480
Net profit	2,057	1,838
Earnings per share, SEK	7.55	6.70
Return on shareholders' equity, including items affecting comparability, %	12.9	10.4
Return on shareholders' equity, %	14.9	14.3

Operating profit for the Group totaled SEK 2,815 M (2,689). Movements in exchange rates upon translation of the earnings of foreign Group companies only had a marginal impact of approximately SEK 4 M on operating profit compared with the preceding year (expense: 169). Refer to page 66.

# Continuing operations

## Net sales and operating profit

SEK M	Net sales		Operating profit <sup>1)</sup>	
	2012	2011	2012	2011
Trelleborg Coated Systems	1,738	1,810	177	227
Trelleborg Industrial Solutions	4,502	4,612	328	387
Trelleborg Offshore & Construction	3,718	3,199	221	113
Trelleborg Sealing Solutions	7,215	7,288	1,513	1,495
Trelleborg Wheel Systems	3,865	3,863	449	401
Group items	1,002	1,300	-346	-392
Elimination	-778	-1,029		
<b>Total</b>	<b>21,262</b>	<b>21,043</b>	<b>2,342</b>	<b>2,231</b>

## Items affecting comparability in operating profit

SEK M	2012	2011
Trelleborg Coated Systems	-	6
Trelleborg Industrial Solutions	-71	-31
Trelleborg Offshore & Construction	-67	-62
Trelleborg Sealing Solutions	-26	-20
Trelleborg Wheel Systems	-	0
Group items	-28	-31
<b>Total expenses</b>	<b>-192</b>	<b>-138</b>
Sale of property	203	-
<b>Net items affecting comparability</b>	<b>11</b>	<b>-138</b>

## Operating ratios

SEK M	Operating margin (ROS), % <sup>1)</sup>		Capital employed SEK M <sup>2)</sup>		Return on capital employed (ROCE), % <sup>1)</sup>	
	2012	2011	2012	2011	2012	2011
Trelleborg Coated Systems	10.2	12.6	2,149	1,975	8.6	11.8
Trelleborg Industrial Solutions	7.3	8.4	2,532	2,867	11.8	14.0
Trelleborg Offshore & Construction	5.9	3.5	1,893	1,991	10.5	5.7
Trelleborg Sealing Solutions	20.9	20.5	6,892	7,339	20.9	20.7
Trelleborg Wheel Systems	11.6	10.4	2,754	2,191	18.4	18.2
Group items			514	292		
Provisions for restructuring actions			-130	-93		
<b>Total</b>	<b>11.0</b>	<b>10.6</b>	<b>16,604</b>	<b>16,562</b>	<b>13.7</b>	<b>13.6</b>

## Net sales per quarter

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2012	2011	2012	2011	2012	2011	2012	2011
Trelleborg Coated Systems	469	469	464	475	399	432	406	434
Trelleborg Industrial Solutions	1,202	1,135	1,162	1,219	1,031	1,118	1,107	1,140
Trelleborg Offshore & Construction	919	806	944	851	911	738	944	804
Trelleborg Sealing Solutions	1,973	1,813	1,944	1,905	1,706	1,863	1,592	1,707
Trelleborg Wheel Systems	1,128	950	1,052	1,006	852	953	833	954
Group items	289	357	275	311	212	354	226	278
Elimination	-257	-270	-229	-275	-150	-271	-142	-213
<b>Total</b>	<b>5,723</b>	<b>5,260</b>	<b>5,612</b>	<b>5,492</b>	<b>4,961</b>	<b>5,187</b>	<b>4,966</b>	<b>5,104</b>

## Operating profit per quarter <sup>1)</sup>

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2012	2011	2012	2011	2012	2011	2012	2011
Trelleborg Coated Systems	57	64	53	67	30	55	37	41
Trelleborg Industrial Solutions	89	92	76	116	70	91	93	88
Trelleborg Offshore & Construction	49	46	68	57	47	40	57	-30
Trelleborg Sealing Solutions	429	352	464	420	343	422	277	301
Trelleborg Wheel Systems	156	96	133	108	88	98	72	99
Group items	-114	-81	-92	-94	-50	-94	-90	-123
<b>Total</b>	<b>666</b>	<b>569</b>	<b>702</b>	<b>674</b>	<b>528</b>	<b>612</b>	<b>446</b>	<b>376</b>

<sup>1)</sup> Excluding items affecting comparability and participations in TrelleborgVibracoustic.

<sup>2)</sup> Excluding participations in TrelleborgVibracoustic.

For definitions, see page 105.



# Trelleborg BUSINESS AREA Coated Systems

## Improved global position

Trelleborg Coated Systems is a leading global supplier of unique customer solutions for polymer-coated fabrics that are deployed in a variety of niches. The business area was formerly part of Trelleborg Engineered Systems, which ceased to exist at year-end 2012.

### Market trend

The trend for coated fabrics in the general industry market segment follows the global industrial business cycle and is supported by globalization. Rapid population growth in, above all, high-growth countries is one of the factors behind the favorable trend for various printing blanket solutions. Urbanization entails, for example, increased consumption, which in turn drives demand for such items as packaging, while new printing technologies are being developed for such areas as biochemistry.

### Sales and earnings

Net sales in 2012 declined by 4 percent compared with 2011. Sales from printing blankets were negatively impacted by generally weak demand in Europe and the bankruptcy of a major printing press manufacturer, which brought forward the need for a somewhat modified distribution model. Sales from coated fabrics increased, primarily due to the positive trend in North America.

Operating profit fell compared with 2011, mainly due to a lower level of

sales, start-up and integration costs in Brazil and costs in the form of bad debt losses.

While operating cash flow was negatively affected by lower earnings and higher capital expenditure, it was positively impacted by a reduction in tied-up working capital.

### Key events in 2012

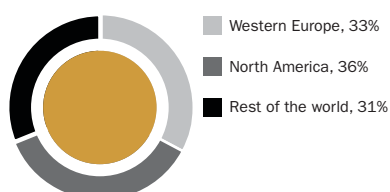
- Improved structure resulting from continued restructuring activities and active portfolio management.
- Acquired Printec, a printing blanket operation with a strong presence in Latin America and the U.S.
- Intensified focus on Brazil through the inauguration of a facility specialized in the development and production of printing blankets.
- Invested in Italy, in the world's largest facility for solvent-free production of printing blankets.
- Development of a number of digital solutions to support customers.
- Continued focus on production processes that reduce resource waste.

- Received certification of printing blankets for food packaging printing.
- Introduced new distribution network for printing blankets in Europe.

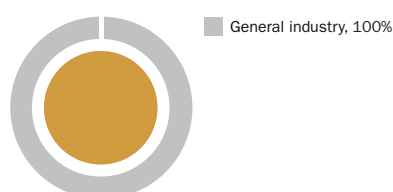
### Strategic priorities

- Continue the strategy of active portfolio management – invest in attractive segments and exit segments with lower potential.
- Additionally strengthen presence in markets with high growth, primarily Asia and Latin America.
- Bolt-on acquisitions that support expansion in key markets.
- Continuously improve overall cost structure by enhancing efficiency and ensuring the optimal production structure.
- Recruit, develop and retain talented individuals.

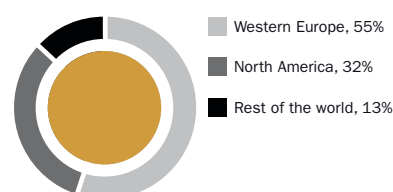
Net sales per geographic market



Net sales per segment



Employees per geographic market



**Market segments: General industry:** Engineered fabrics: Rubber and polyurethane-coated substrates for a wide range of demanding environments in sectors such as general industry, automotive, transportation and safety & health. *Printing blankets:* Complete range of printing blanket solutions for all offset printing segments; from packaging and commercial printing to special niche applications such as security printing.

Carrier sleeve production line for packaging flexo printing.

**Production units:** Brazil, China, France, Italy, Sweden and the U.S.

**Market offices:** Brazil, China, France, Italy, Japan, Sweden and the U.S.

**Examples of brands/product names:** Axcyl®, Printec, Rollin® and Vulcan®.

**Key customers:** Companies active in the general industry market segment and graphics industry.

**Principal competitors:** Contitech, Flint Group, Kinyo, Meiji, Seaman Corporation, Uretek and Yokohama.

Market position, no. 1-3	EU	NAFTA	Globally
Polymer-coated fabrics	■	■	■
Printing blankets	■	■	■

Key figures excluding items affecting comparability, SEK M	2012	2011
Net sales	1,738	1,810
Share of Group net sales, %	8	9
Operating profit	177	227
Operating margin (ROS), %	10.2	12.6
Capital employed	2,149	1,975
Return on capital employed (ROCE), %	8.6	11.8
Capital expenditures	96	68
Operating cash flow	167	187
Operating cash flow/Operating profit, %	95	82
Number of employees at year-end, including insourced staff and temporary employees	1,051	1,067

## Three questions to Dario Porta, Business Area President



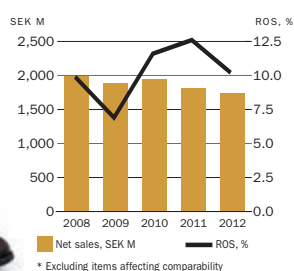
**How does your business area create added value for customers?** Printers are continuously endeavoring to improve efficiency, which involves increasing the quantity and quality of their printing, and reducing downtime. Our printing blankets help them to achieve this by offering extended service life and greater flexibility. Our coated fabrics are bespoke, made to each customer's requirements, incorporating value creation in the development process.

**What gives your business area its competitive edge?** In terms of our printing blanket solutions, our global reach plays an important role. We are the leading global company in our industry with the most complete product offering. The

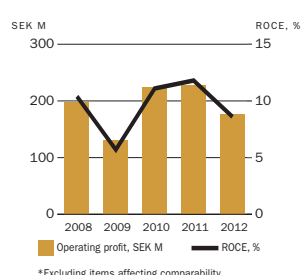
financial strength of Trelleborg enables us to invest in key markets. Our Brazilian facility gives us a real advantage in a growing region. Our coated fabrics are unique and our products are often the only solution for the required function.

**Which fields of development will be prioritized in the years ahead?** Packaging, not least for food, drink and cosmetics, is a major growth industry in global terms. Intelligent packaging will become a reality, and we are therefore focusing on aligning our product portfolio with technology development to enable us to establish operations in this technologically demanding segment. For coated fabrics, we are continuing to concentrate on material and process development and expansion in Asia and Latin America.

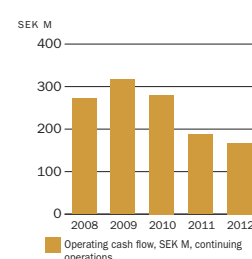
Net sales and ROS\*



Operating profit\* and ROCE\*



Operating cash flow







## New markets, strengthened niche positions

Trelleborg Industrial Solutions is a market leader in application areas such as fluid handling solutions, industrial antivibration solutions and niche applications in sealing systems. The business area was formerly part of Trelleborg Engineered Systems, which ceased to exist at year-end 2012.

### Market trend

The impact of globalization remains favorable for the general industry market segment, where industrial production places demands on ever-improved products and solutions. A lack of investment and strong urbanization drive demand for new and improved engineering structures and transportation applications. Growing energy needs require increasingly sophisticated solutions for such purposes as oil & gas production.

### Sales and earnings

In 2012, net sales declined by 2 percent compared with 2011. Sales from general industry, excluding marine hoses that handle oil & gas, and construction-related operations declined, while sales from transportation were higher than in 2011.

Operating profit declined compared with 2011, predominantly due to lower volumes and an unfavorable product mix in certain market segments.

Operating cash flow was primarily impacted by efficient management of working capital.

### Key events in 2012

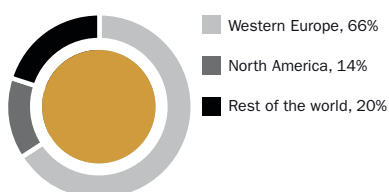
- Improved structure resulting from continued restructuring activities and active portfolio management.
- Strengthened presence in Asia through establishment and inauguration of a new facility in India for industrial antivibration systems and specialty molded components for various industrial segments.
- Continued focus on innovation and product development - introduction of flexible coating for antivibration components that delay the spread of hazardous fumes rail in applications, DragonCoat.

### Strategic priorities

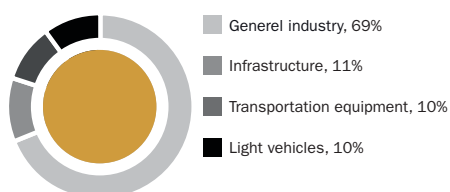
- Continue the strategy of active portfolio management – invest in attractive segments and exit segments with lower potential.
- Focus on developing a leading position in niche markets through continuous segmentation and differentiation.

- Leverage growth in the U.S. in such segments as construction and civil engineering, rail vehicles and off-highway vehicles, and through product development and geographic expansion.
- Grow in the area of marine hoses that handle oil & gas.
- Move up the supply chain, thereby creating higher value.
- Capitalize on growth opportunities for industrial antivibration systems in India and China for rail vehicles and off-highway vehicles.
- Continuously improve cost structure through Manufacturing Excellence and Purchasing Excellence (see page 29) and ensure optimal production structures and geographic footprint.
- Recruit, develop and retain talented individuals.

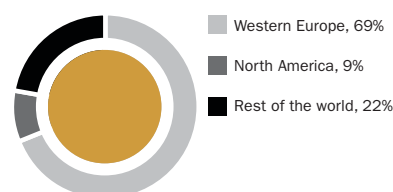
Net sales per geographic market



Net sales per segment



Employees per geographic market



**Market segments: General industry:** Fluid-handling solutions, such as hoses, expansion joints and elastomer materials. Marine hoses for handling oil and gas. Antivibration solutions, such as vibration dampers and precision components.

**Infrastructure:** Pipe seals and repair of wastewater and drinking water systems, sealing profiles for facades, windows and doors. **Transportation equipment:** Vibration-damping and acoustic solutions for rail vehicles and marine applications as well as off-highway vehicles. Sealing systems for trains and trucks.

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

**Production units:** Brazil, China, the Czech Republic, Estonia, Finland, France, Germany, India, Lithuania, Poland, Spain, Sweden, the U.K. and the U.S.

**Market offices:** Belgium, Brazil, China, Finland, France, Germany, Hungary, India, the Netherlands, Norway, Poland, Russia, Spain, Sweden, the U.K. and the U.S.

**Examples of brands/product names:** CRYOLINE®, DIPRO®, Epros®, Forsheda®, KLELINE®, METALASTIK®, NOVIBRA®, SEALINE®, TRELLINE®, TRELLVAC and Ventiseal.

**Key customers:** Companies active in general industry, infrastructure, transportation and offshore oil & gas.

**Principal competitors:** ContiTech, GMT, Hultec, Hutchinson, IVG, Lord, Lupus, Parker, Semperit and Stomil Sanok.

Market position, no. 1-3	EU	NAFTA	Globally
Industrial hoses	■	■	■
Oil & marine hoses	■	■	■
Industrial vibration damping	■	■	■
Industrial profiles	■	■	■
Pipe seals	■	■	■

Key figures, excluding items affecting comparability, SEK M	2012	2011
Net sales	4,502	4,612
Share of Group net sales, %	21	22
Operating profit	328	387
Operating margin (ROS), %	7.3	8.4
Capital employed	2,532	2,867
Return on capital employed (ROCE), %	11.8	14.0
Capital expenditures	133	130
Operating cash flow	428	230
Operating cash flow/Operating profit, %	131	59
Number of employees at year-end, including insourced staff and temporary employees	3,294	3,358

## Three questions to Mikael Fryklund, Business Area President



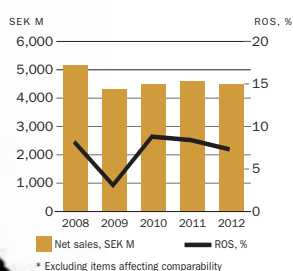
**How does your business area create added value for customers?** The products included in the business area differ quite significantly, thus generating diverse values depending on the product. A common theme, however, is that we always try to identify the best solutions to accelerate our customers' businesses by offering comprehensive solutions and advanced engineering knowledge. For example, our technology for maintaining and repairing underground pipelines has revolutionized the market since it is no longer necessary to dig up existing pipes.

**What gives your business area its competitive edge?** We are specialists in niche segments where many of our products are unique, such as DragonCoat, a fire-retardant coating for rail applica-

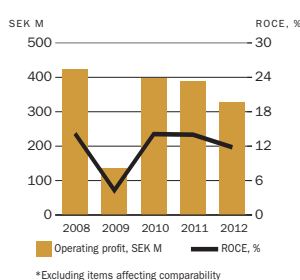
tions launched in 2012. Through long-term and close relationships with our customers and in-depth awareness of their needs, we develop customized products that yield solutions that the customer cannot obtain from other suppliers.

**Which fields of development will be prioritized in the years ahead?** Because our products are aimed at particular applications, innovation is at the core of all that we do. These innovations can vary even within the same product group. For example, the products we develop range from extremely clinically clean and small precision medical air hoses that enable humans to breathe to large hoses used to transfer liquid nitrogen in low-temperature conditions.

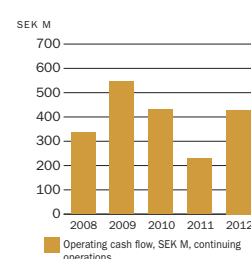
Net sales and ROS\*



Operating profit\* and ROCE\*



Operating cash flow



# Trelleborg

BUSINESS AREA

# Offshore & Construction

## Positive trend for project-related operations

Trelleborg Offshore & Construction is a leading global supplier of critical solutions for deployment in highly demanding environments. The business area was formerly part of Trelleborg Engineered Systems, which ceased to exist at year-end 2012.

### Market trend

The trend in late-cyclical and project-related markets remain favorable. A growing global population, globalization, urbanization and demand for energy that outstrips supply, comprise a few of the underlying factors that drive infrastructure investments across the globe. Projects tend to be larger and increasingly complex. One example is the production and extraction of oil & gas in deep-sea environments.

### Sales and earnings

In 2012, net sales increased by 16 percent compared with 2011. Sales in all market segments increased in 2012.

Operating profit rose compared with 2011, principally due to higher volumes, an improved product mix and implemented restructuring measures. Start-up costs for new units adversely affected earnings.

Operating cash flow was positively impacted by operating profit and lower tied-up working capital.

### Key events in 2012

- Inaugurated in Macaé, Brazil's first production facility for polymer-based deep-sea solutions and the world's largest hydrostatic pressure testing vessel.
- Obtained the world's largest order to date for marine fenders for the New Port Project in Doha, Qatar.
- Launched *Vikothersm II*, a unique thermal insulation technology for deep-sea projects.
- Installed the world's first robotic machine for infrastructure solutions, utilizing Optimal Fiber Architecture technology.
- Opened an office in Cape Town, South Africa.
- Launched Design for Maintenance (DFM) fender system, as well as fender rental service.
- Continued structural improvements as a result of restructuring and active portfolio management.

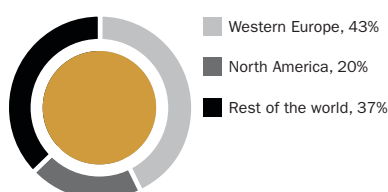
### Strategic priorities

- Capitalize on the leading position in selected segments and geographic markets, the global reach, unique engineering skills and project reference track record.
- Continue to grow organically and through bolt-on acquisitions that further strengthen the presence in high-growth regions, such as Southeast Asia, Africa and Latin America.
- Boost profitability through innovative solutions and services, enhance project management execution and increase the use of cost-efficient platforms.
- Recruit, develop and retain talented individuals.

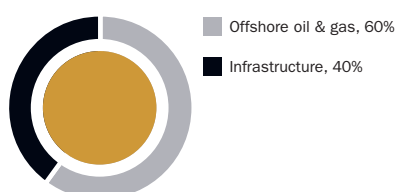
### Events after year-end

- Acquisition of SeaTechnik, a market-leading company predominantly specialized in the development of software and manufacture of emergency shutdown systems and other communications systems used when carriers transporting liquefied natural gas (LNG) berth at terminals.

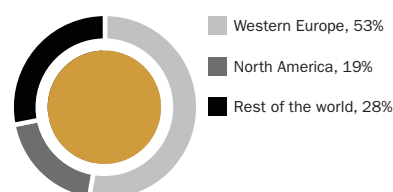
Net sales per geographic market



Net sales per segment



Employees per geographic market





**Market segments: Offshore oil & gas:** Polymer-based solutions for deep sub-sea exploration and production of oil & gas. **Infrastructure:** Sealing and vibration-damping civil engineering solutions for tunnels, bridges and other large structures. Berthing, docking and mooring solutions for ports and vessels.

**Production units:** Australia, Brazil, China, the Netherlands, Norway, Singapore, the U.K. and the U.S.

**Market offices:** Australia, Brazil, China, India, Japan, the Netherlands, Norway, Singapore, South Africa, South Korea, Sweden, United Arab Emirates, the U.K. and the U.S.

**Examples of brands/product names:** Andre, Elastopipe®, RiserGuard, SCN Supercone Fendrar, SeaGuard, SeaTechnik, SmartDock, Ultra MIS Drill Riser Bärighet, Uraduct and Vikotherm II.

**Key customers:** Companies active in offshore oil & gas and companies that construct and maintain tunnels, bridges, buildings, ports and docks, including construction companies and engineering consultancies.

**Principal competitors:** AIS, Balmoral, Bridgestone, Crux, Cuming, Datwyler, FenderTeam, Lankhorst, Marimatech, Matrix, Sumitomo and Yokohama.

Market position, no. 1-3	EU	NAFTA	Globally
Polymer solutions for offshore oil & gas	■	■	■
Marine fender systems	■	■	■
Docking and mooring systems	■	■	■
Tunnel seals	■	■	■
Dredging hoses	■	■	■
Acoustics and vibration-damping solutions	■	■	■

Key figures, excluding items affecting comparability, SEK M	2012	2011
Net sales	3,718	3,199
Share of Group net sales, %	18	15
Operating profit	221	113
Operating margin (ROS), %	5.9	3.5
Capital employed	1,893	1,991
Return on capital employed (ROCE), %	10.5	5.7
Capital expenditures	139	148
Operating cash flow	233	-12
Operating cash flow/Operating profit, %	105	neg
Number of employees at year-end, including insourced staff and temporary employees	1,988	1,935

## Three questions to Fredrik Meuller, Business Area President



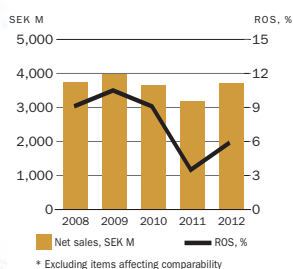
**How does your business area create added value for customers?** Our unrivaled track record confirms that we are an attractive partner in very large and complex projects; in deep subsea environments, on immersed tunnels or in connection with vessel transportation of LNG. We help customers succeed by getting involved in the project at an early stage and working with them to leverage our expertise and develop the optimal solutions. Operations tend to be increasingly global. The combination of our global reach and local presence makes us strong.

**What gives your business area its competitive edge?** Because we work to develop and deliver performance-critical solutions for demanding environments, our broad and in-depth engineering

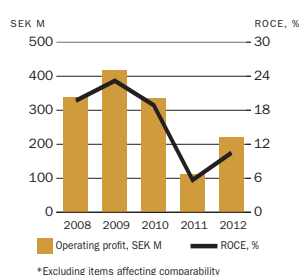
competence and documented previous experience are of major significance. Furthermore, the financial strength and support of a large industrial group such as Trelleborg is unique compared with our competitors.

**Which fields of development will be prioritized in the years ahead?** Although the outlook for our markets indicates solid growth potential, we also see several other new attractive opportunities on which we can focus in the short term. We will primarily concentrate on new advanced solutions for exploration and extraction of oil & gas in ever-deeper waters, in addition to the fast-growing market for LNG as well as damping bearings developed for high loads for use in major infrastructure projects.

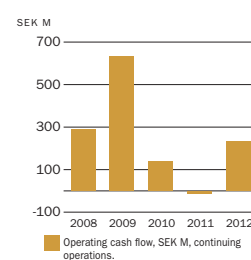
Net sales and ROS\*



Operating profit\* and ROCE\*



Operating cash flow



# Trelleborg

BUSINESS AREA

## Sealing Solutions

## Strengthened market position and strong earnings generation

Trelleborg Sealing Solutions is a leading global supplier of sealing solutions.

### Market trend

The changing global population structure combined with continued urbanization requires increasingly sophisticated industrial products and solutions. For example, in the aerospace industry, the demand is for more operationally efficient technologies and a reduced environmental footprint, leading to lighter aircraft with higher technology content.

### Sales and earnings

Net sales in 2012 declined by 1 percent compared with 2011. Sales from general industry and light vehicles fell, while sales from aerospace were higher than in 2011.

Operating profit increased compared with 2011 as a result of increased efficiency and effective capacity utilization.

Operating cash flow remained highly robust, mainly due to the increased operating profit and the continued efficient management of working capital.

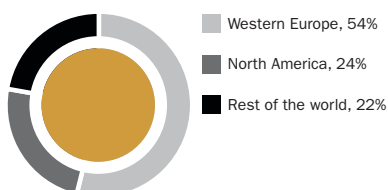
### Key events in 2012

- Continued to capture market shares and strengthen its market position.
- Strengthened global presence in the growing life sciences segment.
- Invested in the European and U.S. production sites for specialty products in life sciences.
- Received NORSOK certification of seals in offshore.
- Launched the Rubore® technology in new industrial markets.
- Expanded in India through the inauguration of new manufacturing and marketing facilities in Bengaluru.
- Invested in the world's most powerful test equipment for hydraulic seals in Germany.
- Commenced the *Symphony* project that aims to simplify business processes and make it easier for customers to do business with Trelleborg.

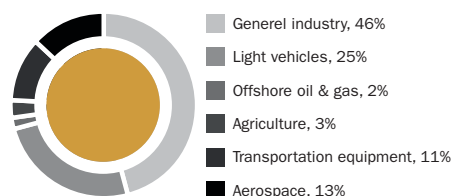
### Strategic priorities

- Increase market shares by offering the market's best service to selected customers.
- Further develop service to customers.
- Retain the position as the leader in digital service tools for engineers.
- Grow through bolt-on acquisitions. Monitor potential acquisition candidates in selected markets.
- Focus on growth in selected segments through global growth initiatives, such as life sciences.
- Ensure optimal production structure and increase the proportion of production in high-growth countries.
- Recruit, develop and retain talented individuals.

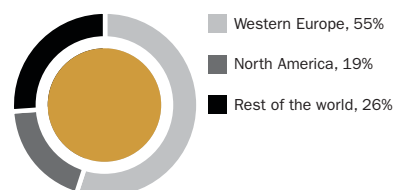
Net sales per geographic market



Net sales per segment



Employees per geographic market





**Market segments: General industry:**

Advanced sealing solutions in specialty materials designed for a range of industrial applications. The largest product groups are O-Rings, rotary seals and hydraulic seals. **Aerospace:** Safety-critical aircraft seals used in virtually all major commercial and military aircraft programs. Key application areas are engines, flight control actuators, landing gear, 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 for damping and sealing. **Transportation equipment, Agriculture, Offshore oil & gas:**

Safety-critical precision seals for use in, for example, trains, engineering and agricultural equipment and offshore oil & gas.

**Production units:** Brazil, China, Denmark, France, India, Italy, Malta, Mexico, Poland, Sweden, Switzerland, the U.K. and the U.S.

**Market offices:** Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Hong Kong, Hungary, India, Italy, Japan, Mexico, the Netherlands, Norway, Pakistan, Poland, Russia, Switzerland, Singapore, Spain, Sweden, South Korea, 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®, Skega®, Stefa® and Wills.

**Key customers:** ABB, BOC Edwards, Bosch, Caterpillar, GEA Group, Honda, Husky, Liebherr, Rolls Royce, Scania, Siemens, Spirit Aero systems, Visteon, Volvo and ZF Group.

**Principal competitors:** Federal Mogul, Freudenberg, Green Tweed, Hutchinson, NOK, Parker Hannifin, Saint Gobain and SKF.

Market position, no. 1-3	EU	NAFTA	Globally
Precision seals for the aerospace industry	■	■	■
Precision seals for the automotive industry	■	■	■
Precision seals for general industry	■	■	■

Key figures, excluding items affecting comparability, SEK M	2012	2011
Net sales	7,215	7,288
Share of Group net sales, %	34	35
Operating profit	1,513	1,495
Operating margin (ROS), %	20.9	20.5
Capital employed	6,892	7,339
Return on capital employed (ROCE), %	20.9	20.7
Capital expenditures	285	241
Operating cash flow	1,695	1,361
Operating cash flow/Operating profit, %	112	91
Number of employees at year-end, including insourced staff and temporary employees	5,305	5,292

## Three questions to Claus Barsøe, Business Area President

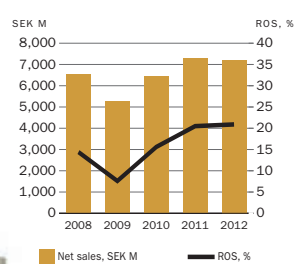
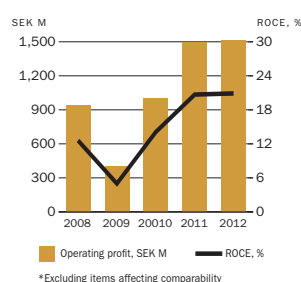
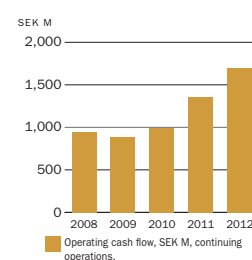


**How does your business area create added value for customers?** We accelerate our customers' businesses by developing solutions from concept to finished product. A fundamental part of our process is to look for ways to improve the performance of our customers' applications. Furthermore, we offer special logistics solutions and focus on optimizing our customers' manufacturing processes, generating added value for the customer.

**What gives your business area its competitive edge?** We have more than 40 market offices across the globe that can offer local engineering support from strategically located manufacturing facilities. Our *Symphony* project will provide us with a competitive edge by simplifying

and harmonizing the interface between us and our customers. We set ourselves apart from the competition by making life easier for our customers. This is why we focus so intently on digital service-tools.

**Which fields of development will be prioritized in the years ahead?** Material science is an area that we have traditionally pioneered and we intend to continue doing so in the future. To meet the ever-evolving need in such segments as life sciences, offshore exploration and the food processing industry, we must continuously develop polymer compounds that meet the specific needs of industries.

**Net sales and ROS\*****Operating profit\* and ROCE\*****Operating cash flow**



## Establishment in China and strengthened position in tires for materials handling vehicles

Trelleborg Wheel Systems is a market leader in tires and other wheel systems for agricultural and forestry vehicles, forklift trucks and other materials handling vehicles.

### Market trend

Large-scale farming requires greater investment in bigger tractors and tires. Meanwhile, a rapid mechanization of agriculture is taking place in high-growth countries. Demand for more efficient stock management and globalization is driving demand for tires for materials handling vehicles, such as industrial tires, not least in the U.S. and China.

### Sales and earnings

Net sales in 2012 were unchanged compared with 2011, with considerable variation during the year. Demand was particularly strong for agricultural tires during the first six months of the year.

Operating profit increased as a consequence of enhanced efficiency and favorable capacity utilization.

Operating cash flow increased during the year, mainly due to improved operating profit and reduced tied-up working capital.

### Key events in 2012

- Continued broadening of the product offering.
- Development and continued integration of Interfit, acquired in 2011, specialized in tire and wheel service for forklifts.
- Continued focus on marketing activities together with leading forklift manufacturers based on the *End-to-End* offering.
- Inaugurated a facility in Xingtai (Hebei), China – Trelleborg became the first global manufacturer of agricultural tires in the country.
- Acquired Maine Industrial Tire and strengthened the position as globally leading supplier of solid industrial tires.
- Continued focus on marketing and brand activities in collaboration with several major tractor manufacturers.
- Broadened the *Blue Dimension* sustainable offering (see page 31).
- Strengthened collaboration and service for customers via digital channels, such as apps, online services and social media.

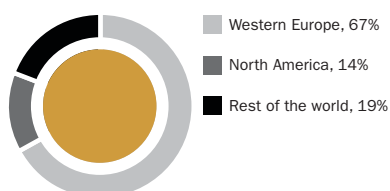
### Strategic priorities

- Consolidation of the strong position held in agricultural and forest tires as well as industrial tires by further developing the customer offering and continuing the geographic expansion.
- Leverage implemented structural measures to proactively expand in attractive segments and markets.
- Maintain strong positions among Original Equipment Manufacturer (OEM) customers and further develop aftermarket customers through continued focused and customer-centric innovation.
- Continue to focus on strategic growth in Interfit's service channels.
- Recruit, develop and retain talented individuals.

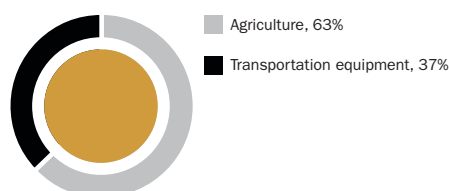
### Events after year-end

- Acquisition of the industrial tire operation from Industriebanden Beheer B.V. The operation is specialized in the distribution and service of industrial tires, such as forklift truck tires.

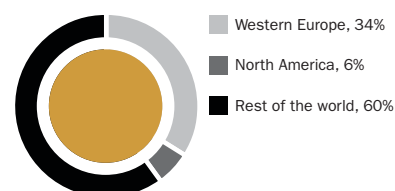
Net sales per geographic market



Net sales per segment



Employees per geographic market





**Market segments: Agriculture:** Tires and wheel systems for tractors and other vehicles used in agriculture and forestry. The business area is a leader in the extra-large tire sub-segment. **Transportation equipment:** Tires and complete wheel systems for materials handling vehicles, including forklift trucks and other highly utilized and high-load materials handling vehicles.

**Production units:** China, Italy, Latvia, Sri Lanka, Sweden, the U.K. and the U.S.

**Market offices:** Argentina, Australia, Belgium, Brazil, the Czech Republic, Denmark, Finland, France, Germany, Indonesia, Italy, Malaysia, Mexico, Poland, Russia, Singapore, South Africa, Spain, Sweden, United Arab Emirates, the U.K., Uruguay and the U.S.

**Examples of brands/product names:** Elite XP, Interfit, Mastersolid®, Monarch®, Orca, Premia, Rota® and Trelleborg®.

**Key customers:** Manufacturers of agricultural and forest machinery, tire and machinery sales companies and end customers. Manufacturers and distributors of forklift trucks, distributors of tires and tire service companies for materials handling vehicles.

**Principal competitors:** Aichi, Alliance, Camoplast-Solideal, Continental, Firestone, Nokian, Goodyear/Titan, Michelin and Mitas.

Market position, no. 1-3	EU	NAFTA	Globally
Agricultural tires	■	■	■
Forestry tires	■	■	■
Solid industrial tires	■	■	■

Key figures, excluding items affecting comparability, SEK M	2012	2011
Net sales	3,865	3,863
Share of Group net sales, %	18	19
Operating profit	449	401
Operating margin (ROS), %	11.6	10.4
Capital employed	2,754	2,191
Return on capital employed (ROCE), %	18.4	18.2
Capital expenditures	200	156
Operating cash flow	227	185
Operating cash flow/Operating profit, %	51	46
Number of employees at year-end, including insourced staff and temporary employees	3,026	2,517

### Three questions to Maurizio Vischi, Business Area President

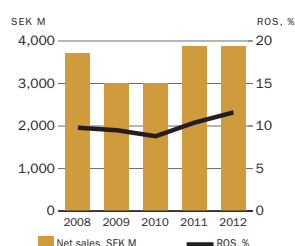
**How does your business area create added value for customers?** In our dealings with OEM customers, the goal is to offer the end-user the best tires for their vehicles. Our *Blue Dimension* concept includes all aspects required to conduct sustainable agriculture activities. For industrial tires, our focus is on demonstrating that premium tires can reduce the total cost. We call it *Total Value of Ownership* (TVO).

**What gives your business area its competitive edge?** For us, partnership is important. By partnering with tractor manufacturers, we can match our tires to their machines. We are the recommended tire supplier for many of the

advanced tractor models. In industrial tires, no one else can match our TVO offering.

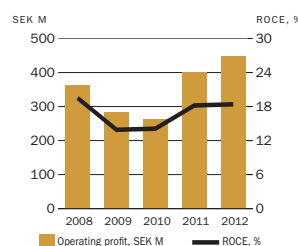
**Which fields of development will be prioritized in the years ahead?** In agricultural tires, we will continue to develop the *Blue Dimension* concept that promotes sustainable agriculture – comprising several innovations that can further protect land and help to boost yields. Generally for our market segments, we will continue our strategy of working closely with OEM customers to offer products that match the increasingly stringent requirements of our customers.

Net sales and ROS\*



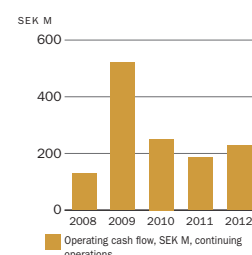
\* Excluding items affecting comparability

Operating profit\* and ROCE\*



\* Excluding items affecting comparability

Operating cash flow



# Joint venture



## TrelleborgVibracoustic

### TrelleborgVibracoustic – global market leader in antivibration solutions for light and heavy vehicles

TrelleborgVibracoustic was formed on July 3, 2012 when Trelleborg and Freudenberg finalized the formation of the 50/50 joint venture in antivibration solutions for light and heavy vehicles. The joint venture consists of Trelleborg's former antivibration operation in the form of Trelleborg Automotive and Freudenberg's corresponding activities, Vibracoustic. As of the third quarter 2012, the Trelleborg Automotive business area no longer forms part of the Trelleborg Group's business area structure due to its inclusion in the joint venture.

The integration process had a successful start in 2012. Substantial synergies were identified and integration of operations is continuing.

Today, TrelleborgVibracoustic is the global market leader in antivibration solutions for the automotive industry, with a market share of 15 percent. The company offers the market's most comprehensive global footprint, with 32 production units and six standalone development sites spread across 18 countries. The company also has the market's most complete product portfolio in antivibration.

Since 2008, TrelleborgVibracoustic's pro forma sales have increased by about 40 percent; double the corresponding growth for global light vehicles production, which increased about 20 percent over the same period.

To satisfy customers' increasing demands for enhanced comfort and noise reduction, TrelleborgVibracoustic's R&D expenditure amounts to 5 percent of its sales.

The growth of global OEM platforms and manufacturing of the same models of cars on several continents are distinct industry trends. TrelleborgVibracoustic is currently represented on 19 of the 20 largest global OEM platforms.

<b>TrelleborgVibracoustic</b>	<b>Jul-Dec 2012</b>	<b>Pro forma <sup>1)</sup> Jul-Dec 2011</b>	<b>Pro forma <sup>1)</sup> Jan-Dec 2012</b>	<b>Pro forma <sup>1)</sup> Jan-Dec 2011</b>
<i>Excluding items affecting comparability,</i>				
Net sales	6,856	6,917	14,225	13,673
EBITDA	605	707	1,318	1,330
Operating profit	377	469	860	870
Operating margin (ROS), %	5.4	6.7	6.0	6.3
Operating cash flow	644			

<sup>1)</sup> Pro forma figures are based on a combination of the former consolidation of units in Trelleborg Automotive and units in Vibracoustic.

**Sales and earnings.** Net sales in 2012 increased organically by 6 percent compared with pro forma 2011.

The operating profit and operating margin were in line with pro forma figures for 2011. The positive effects of higher volumes were offset by costs in conjunction with the formation of the new company. Earnings were also charged with start-up costs in China and Mexico, in addition to high product development costs and exchange-rate effects.

**Long-term financing.** In December 2012, TrelleborgVibracoustic concluded an agreement with a consortium of banks covering a EUR 220 M and USD 75 M syndicated revolving credit facility with a five-year tenor. The facility

is without recourse to the shareholders of TrelleborgVibracoustic. The credit facility will form the cornerstone of TrelleborgVibracoustic's future debt financing, providing sufficient flexibility in respect of the company's upcoming funding needs and acting as a liquidity reserve.

**Key customers:** BMW, Daimler, Fiat/Chrysler, Ford, GM, Nissan Renault, PSA and VW.

**Principal competitors:** Bridgestone, Continental, Cooper Standard, Hutchinson, Tokai, Toyo, Yamashita and ZF Friedrichshafen.

For further information about TrelleborgVibracoustic, visit [www.tbvc.com](http://www.tbvc.com).

# Value-generating business development

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 A minimum of space. A stiff breeze. And a ship the size of a skyscraper. Huge forces need to be monitored and controlled when docking vessels. Trelleborg is a leading provider of high-tech mooring systems.



# Industry growth is keeping pace with global GDP

## Global mega trends that drive Trelleborg's business

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

- Globalization – increased international trade due to transnational collaboration and technological development.
- High-growth economies in Asia and South America continue to advance – major investment in infrastructure.
- Slower growth in Western Europe and North America – more mature markets of considerable size.

### A global population structure in change

- Generally high population growth – particularly in high-growth countries.
- Longer life expectancy and higher living standards – better quality of healthcare and food.
- Emergence of a significant middle class in high-growth countries – future consumers.

### Continued urbanization – growing demand for infrastructure and more efficient resource utilization

- Limited access to natural resources – economic growth increases demand for raw materials.
- Investment in future energy generation – investments in extraction and the development of alternative fuels.
- Growing global commitment to reduce environmental and climate footprint – development of sustainable technology.

## Top ten global industrial rubber companies in 2011

Company	Country	Net sales, USD M	Percentage of company's total net sales
1 Continental A.G.	Germany	4,605	11
2 Hutchinson S.A.	France	4,164	100
3 Trelleborg AB	Sweden	3,896	87
4 Freudenberg Group	Germany	3,890	46
5 Bridgestone Corp	Japan	3,793	10
6 NOK Inc.	Japan	3,393	55
7 Tokai Rubber Industries Ltd.	Japan	3,035	95
8 Pinafore Holdings B.V.	U.K.	2,956	59
9 Cooper-Standard Automotive	U.S.	2,953	100
10 Parker-Hannifin Corp.	U.S.	2,470	20
<b>Total</b>		<b>35,155</b>	

Source: Rubber & Plastics News, July 2012.

**Valuable and critical solutions.** The modern-day industrial and information society would not be possible without polymer materials, or rubber and plastics as they are commonly known. All of the machines, tools and accessories that make up our everyday lives need sealing, damping and protecting using a material that is durable, elastic and tough. And it is precisely this technology that Trelleborg has mastered better than others.

According to the *Rubber & Plastics Journal*, Trelleborg is the third-largest industrial rubber company in the world (excluding tire manufacturers). Approximately 87 percent of the Trelleborg Group's sales comprise industrial rubber products and solutions, while about 13 percent are speciality tire products.

Based on the trade magazine's calculations, Trelleborg's sales account for 11 percent of the combined sales of the ten largest companies. The journal estimates the total sales of the industry's ten largest companies in 2011 at about SEK 245,000 M, and assesses Trelleborg's share at some SEK 27,000 M.

**The market is largely comprised of many small players.** Trelleborg's principal competitors are primarily regional niche companies in one or more niche markets in various market segments. Each segment and niche has its own competitors and only a few can be found in more than one segment. For information about Trelleborg's competitors in each busi-

ness area and segment, refer to pages 10-19. The market trend for industrial rubber is the provision of increasingly customized solutions with higher technology and knowledge content, and more services in the form of digital solutions.

Industry is keeping a relatively even pace with global GDP. In certain countries, growth is considerably faster. New segments and niches emerge in pace with society's economic development. As reported by the *Rubber & Plastics Journal*, 2011 sales for the ten largest companies rose by 8 percent compared with 2010. Global GDP growth during the same period was 3.8 percent.

Market segments have varying demand cycles. In the sub-segments of capital-intensive industry, such as offshore oil & gas and infrastructure, there is a higher proportion of project deliveries with long lead times, while the transportation industry, for example, procures products in shorter cycles.

**Global reach and local presence are success factors.** In an intensely competitive industry under pressures of globalization, positioning in the best niches is a key factor. In turn, this requires knowledge of global, regional and local markets, strength in innovation and development as well as resources to enable investments.

# Market trends are favorable

Mankind's endeavor to create a better and safer existence, companies' efforts to satisfy customer and consumer needs, and the demand for a clean environment and sustainable development create the trends that shape the global conditions for Trelleborg's business development.

A number of global trends underlie this development. At the same time, some drivers are specific to the various market segments where Trelleborg operates.

## Capital-intensive industry, 49%\*

### Offshore oil & gas

Increased energy needs lead to major investments in more complex and new exploration projects in deep-sea environments (Brazil and West Africa) as well as more stringent maintenance (the Mexican Gulf and the North Sea), which requires more advanced solutions and investments in natural gas transportation.



### Transportation equipment

Increasing flows of people and goods call for more efficient transportation by rail, air, bus and truck and improved inventory management and transportation equipment combined with stricter environmental standards.



### Agriculture

Larger-scale agriculture implies growing investments in large tractors and tires combined with higher demand, which is catalyzed by a rapid mechanization of the agricultural sector in high-growth countries. Demand for biofuels and more sustainable agriculture is driving demand for more advanced products and solutions.



### Infrastructure construction

Lack of investment, rapid urbanization and economic development in high-growth countries are driving demand for new and better infrastructure for roads, railways, airports, harbors, tunnels and so forth.



### Aerospace

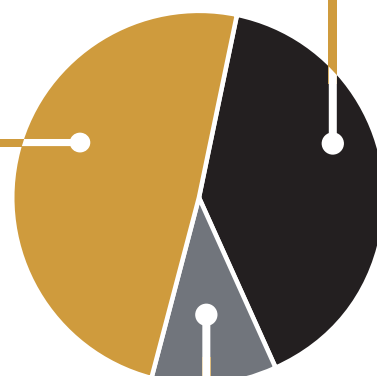
Upgraded and new civilian and commercial air fleets due to increased air traffic, particularly in high-growth countries, technology that promotes greater operational efficiency and more stringent environmental standards are leading to lighter, high-tech aircraft.



## General industry, 40%\*

### General industry

Geographic markets with high growth increasingly demand products and more advanced solutions to match their industrial growth and development.



## Light vehicles, 11%\*

### Light vehicles

Globalization and consolidation in the customer chain calls for a stronger geographic presence by sub-contractors which, in combination with more stringent environmental standards, promotes the development of alternative fuels and lighter/cheaper materials.



\*) Share of the Trelleborg Group's sales in 2012.

# How Trelleborg generates value

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.



# Trelleborg's strategic focus

With more than 100 years in the polymer industry, Trelleborg is characterized by continuously striving for higher quality and a passion for identifying new solutions to complex problems. While the backbone of Trelleborg's operations has always been polymers, the focus and emphasis has changed over time.

In the 1980s and 1990s, Trelleborg represented a conglomerate. The Group's operations were dominated by mines and other metals, rather than rubber and plastics.

At the end of the 1990s, the Group became wholly focused on polymer-based industrial operations. All other operations were divested. Over the past ten years, a number of acquisitions have taken place. These operations and market segments still characterize the Group today.

In recent years, Trelleborg has

worked intensively to structure, integrate and develop its acquired operations and secure efficiency in all functions – from development, procurement and production to marketing. The purpose is to achieve favorable profitability by strengthening and developing the Group in a step-by-step process. The Group has also divested certain operations, due to Trelleborg's assessment that they did not belong to the core operations.

Trelleborg is today a world leader in engineered polymer solutions. The Group's geographic balance and portfolio

of operations has evolved and improved, while its market positions have strengthened. Trelleborg has moved forward in the value chain toward increasingly advanced products and total solutions. The process of evolution has improved the Group's financial strength and profitability in recent years. The Group is now better equipped than in the past, which creates favorable conditions for continued improvement.

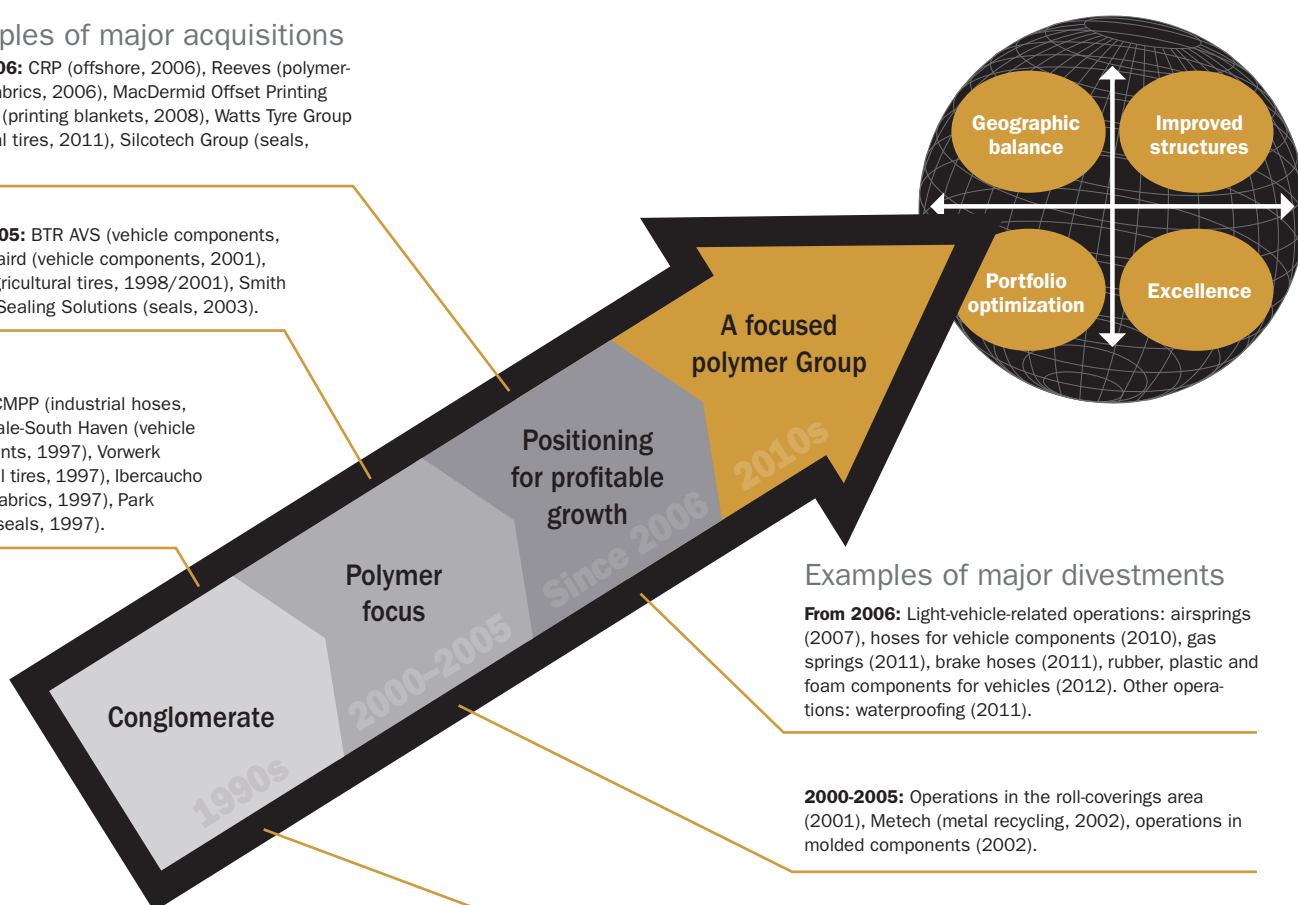
Trelleborg's process of evolution and focus are described in more detail on the next four pages.

## Examples of major acquisitions

**From 2006:** CRP (offshore, 2006), Reeves (polymer-coated fabrics, 2006), MacDermid Offset Printing Blankets (printing blankets, 2008), Watts Tyre Group (industrial tires, 2011), Silcotech Group (seals, 2011).

**2000-2005:** BTR AVS (vehicle components, 2000), Laird (vehicle components, 2001), Pirelli (agricultural tires, 1998/2001), Smith Polymer Sealing Solutions (seals, 2003).

**1990s:** CMPP (industrial hoses, 1996), Yale-South Haven (vehicle components, 1997), Vorwerk (industrial tires, 1997), Ibercaucho (coated fabrics, 1997), Park Rubber (seals, 1997).



## Examples of major divestments

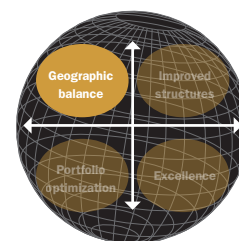
**From 2006:** Light-vehicle-related operations: airsprings (2007), hoses for vehicle components (2010), gas springs (2011), brake hoses (2011), rubber, plastic and foam components for vehicles (2012). Other operations: waterproofing (2011).

**2000-2005:** Operations in the roll-coverings area (2001), Metech (metal recycling, 2002), operations in molded components (2002).

**1990s:** Ahlsell (wholesaler for installation products, 1999/2004), Skoogs (electrical wholesaler, 1999), Starckjohann (HVAC wholesaler, 1999), Boliden (mines, 1997/2003).

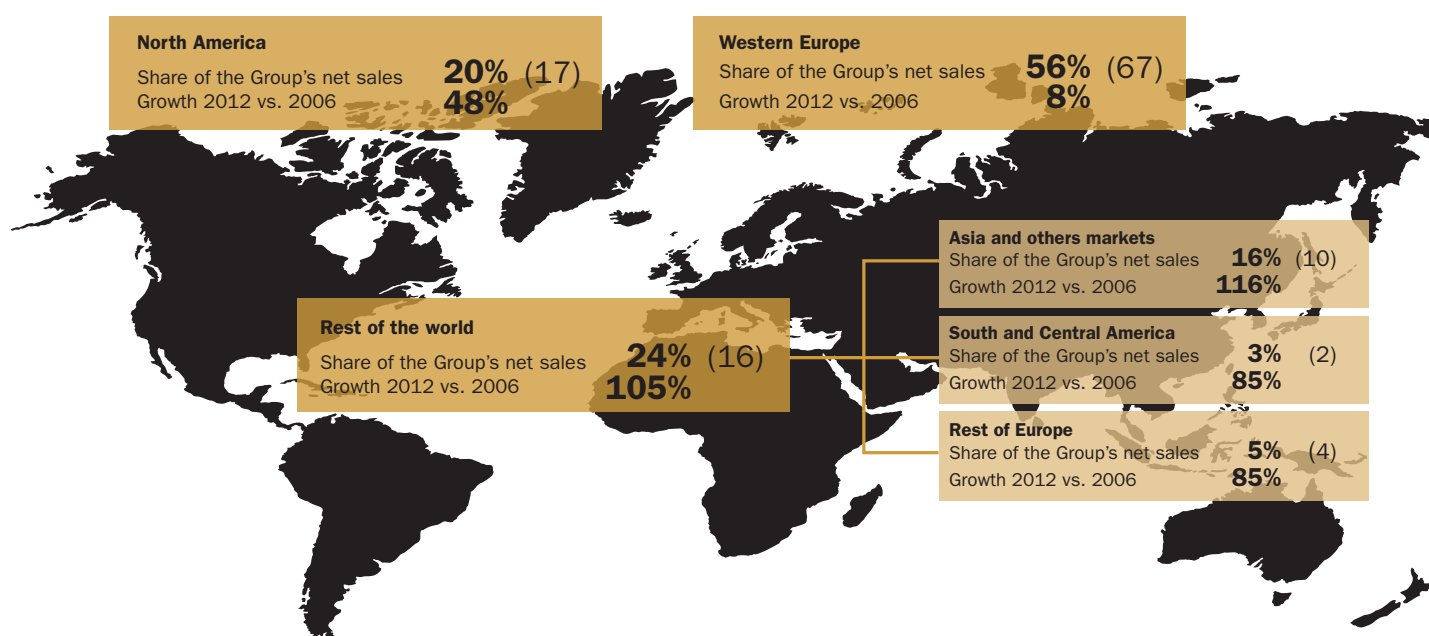
For information about all of Trelleborg's acquisitions and divestments, visit: <http://www.trelleborg.com/en/Investors/Acquisitions-and-Divestments/>. For the history of Trelleborg from 1905 until the present day, visit <http://www.trelleborg.com/en/The-Group/History/>

# Local presence, global reach



In recent years, a priority for Trelleborg has been to expand the market coverage in high-growth countries outside Western Europe and North America. The principal drivers include proximity to customers in expanding and profitable segments, following customers in their globalization process and developing local customer relationships.

## The Trelleborg Group's geographic trend in net sales in 2012 (2006)



Since 2005/2006, Trelleborg has divested, moved or closed some 35 production units in Western Europe and North America. At the same time, Trelleborg has also established or significantly upgraded some 20 units outside these regions.

Trelleborg strives for the long-term achievement of a geographic balance, where Western Europe and the high-growth countries each account for 40 percent of Trelleborg's net sales, with North America continuing to account for the remaining share.

In 2012, Trelleborg established seven new production facilities in Brazil, India and China.

**Favorable conditions in Brazil.** In 2012, three official inaugurations and one acquisition took place in Brazil. A production facility was inaugurated in Macaé that develops, manufactures and delivers high-performance polymer and syntactic foam-based solutions for the offshore industry, such as various buoy-

ancy products. Following a co-location to one facility in Santana de Parnaíba, outside São Paulo, additional two operations were inaugurated during the year. This plant develops and produces printing blankets for the graphics industry, as well as oil and marine hoses for surface and deep-sea applications for offshore oil and gas extraction. Following the acquisition of a printing blanket operation with a strong presence in Latin America and the U.S., Trelleborg is now the first manufacturer of printing blankets in Brazil with a global presence. Production is based in Jandira in the São Paulo area.

### Attractive structural changes in India.

In 2012, three new operations were inaugurated in India, all located in Bengaluru. In early 2012, a newly constructed production facility for high-performance sealing solutions was inaugurated. Following a co-location to one plant, additional two operations were inaugurated. This plant develops and produces industrial anti-

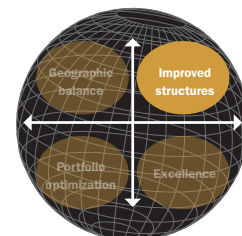
bration systems and speciality molded components for various industrial segments.

**Highly favorable trend in China.** In 2011, Trelleborg acquired an operation in Xingtai (Hebei), primarily an agricultural-tire manufacturer, and the facility was officially inaugurated in 2012. At year-end, Trelleborg acquired a marketleading, U.S.-based company specialized in solid industrial tires for vehicles such as forklift trucks. The company has a major production facility in Xingtai (Hebei) that is adjacent to Trelleborg's existing operation. The acquisition is strategically significant since China is one of the world's largest markets for industrial tires.



# Growth through improved structures

Trelleborg works proactively to position itself in attractive and profitable market segments. Trelleborg is among the top three largest manufacturers, globally or regionally, in a series of product categories.



## Multi-dimensional market leadership.

Trelleborg's strategy is to position itself in attractive and profitable market segments. This means that Trelleborg seeks niches that provide market leadership. These could be market segments based on geography, or on products and solutions. They could also be customers or industries with favorable growth. Leading positions are achieved through both organic growth and bolt-on acquisitions to strengthen market presence and product ranges. Trelleborg is also moving forward in the value chain, toward more advanced products and total solutions, based on close collaboration with its customers in early stages of development. Market leadership also supports price leadership, a key theme in Trelleborg's excellence program.

**Solutions for added value.** The platform for Trelleborg's positioning is innovative, high-tech products that provide solutions with added-value for customers, and a

level of service and know-how that inspires customer confidence when choosing a supplier.

**Strengthened offering.** Trelleborg is increasingly moving in a direction where the expected trend for the market, segments and customers will determine the applications that are actually developed.

Life sciences, pharmaceuticals and food biotechnology are major sectors of society where we can expect demand to increase in pace with a growing population, an increasing number of elderly people, and higher welfare demands. The chemical industry and mining segments are also attractive.

**The global footprint is changing.** From the existing customer base in Western Europe and the U.S., Trelleborg has expanded in the high-growth markets of Asia and South America in recent years. The prime drivers are customer proximity in growing and profitable segments,

following customers in their globalization process and, most importantly, developing local customer relationships. As a result, Trelleborg has divested, moved or closed production units in North America and Western Europe. At the same time, Trelleborg has established or substantially upgraded units outside these areas.

## Acquisition activity has been vigorous.

Trelleborg focuses on bolt-on acquisitions that can further strengthen its position in various market segments. Over time, the acquisitions will be accumulated to enable an even better and more profitable Group structure.

## Trelleborg's global footprint

### Number of employees at year-end\*

Distribution per country	2012	2011	Change
U.S.	2,192	2,111	81
China	1,541	1,022	519
U.K.	1,470	1,488	-18
Sweden	1,351	1,497	-146
Italy	1,308	1,372	-64
France	1,062	1,102	-40
Sri Lanka	824	906	-82
Germany	732	723	9
Malta	543	571	-29
Poland	505	483	22
<b>Total, ten largest countries</b>	<b>11,527</b>	<b>11,275</b>	<b>2.2%</b>

\*) Including insourced and temporary employees.

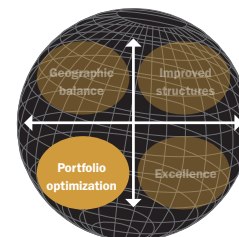
Trelleborg has operations in 43 countries. Of the total number of employees, 92 percent work outside Sweden.

The number of employees in the Group at year-end, including insourced and temporary employees, was 15,280 (14,941, pertaining to discontinued operations). The figures for 2012 include some 650 employees at Maine Industrial Tire, which was acquired in late December. In 2012, the average number of employees in the Group's continuing operations declined to 13,905 (14,306), of whom women accounted for 26 (26) percent. Refer to Note 3 on pages 79-80. Salaries and other benefits for the average number of employees (excluding insourced employees) in the Group's discontinued operations amounted to SEK 4,645 m (4,642).

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

# Leading positions in selected segments

Trelleborg's strategy is to focus the operations to attractive and profitable market segments. Bolt-on acquisitions strengthen positions and further accelerate the pace of growth.



Trelleborg's active portfolio management entails that the company invests in attractive market segments and exits segments with low potential. Trelleborg invests where there is a potential to become one of the top three manufacturers in market segments or niches. If this is not possible to achieve, operations are divested.

One such example is divestments in the light vehicle-related market segment that commenced in 2006/2007 and have now concluded (refer to page 25 for information about divestments in this segment). A key strategic transaction in the same segment was the agreement signed in July 2012 concerning formation of the joint venture TrelleborgVibracoustic (refer to page 20). The company's strong global position in antivibration solutions for light and heavy vehicles enables Trelleborg to benefit from operations that are more efficient and have a greater potential for higher growth and profitability than Trelleborg's previous antivibration operations.

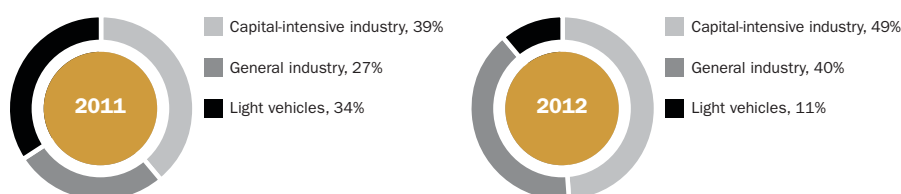
These changes have altered the Trelleborg Group's exposure in various market segments. In 2011, the light vehicle market segment accounted for 34 percent of the Group's net sales. At year-end 2012, the corresponding share was 11 percent.

Trelleborg continuously seeks acquisitions that contribute value generating technology, support the build-up of critical mass in attractive segments, release solid organic growth potential or provide

consolidation opportunities. In 2012, for example, a U.S.-based operations in industrial tires was acquired. The company's potential, particularly in China and North America – the two largest markets in the world for industrial tires – strengthens Trelleborg's position as a

global leader and strong local business partner. The acquisition of British Sea-Technik also strengthens Trelleborg's position in the strategically important and growing market for the transportation of liquefied natural gas.

Segment distribution of net sales 2011 vs. 2012



Acquisitions*	Net sales, SEK M	No. of employees
Printec (printing blanket operation), Trelleborg Coated Systems	250	160
Maine Industrial Tire (industrial tires), Trelleborg Wheel Systems	600	650
After the end of the period: Sea System Technology Ltd (SeaTechnik) (marine docking and mooring systems), Trelleborg Offshore & Construction	55	40
After the end of the period: Operations from Industriebanden Beheer B.V. (industrial tires distributor), Trelleborg Wheel Systems	50	20
<b>Total</b>	<b>955</b>	<b>870</b>

Divestments*	Net sales, SEK M	No. of employees
French supplier of components for light vehicles, Trelleborg Automotive	550	570
Protective products operation, Trelleborg Engineered Systems	170	170
<b>Total</b>	<b>720</b>	<b>740</b>

\*) Excluding TrelleborgVibracoustic.

# Excellence – processes under continuous improvement

Trelleborg's principal processes are continuously reviewed and improved in order to become faster and more cost-efficient. The goal for these ongoing strategic programs and projects is excellence – and to be a global leader in purchasing, sales, working capital and manufacturing.



Running for Excellence

**Purchasing Excellence.** The primary goal of Trelleborg's Purchasing Excellence program is that all purchasing follows the same process – regardless of who implements a purchase – with the same objectives and deadlines for all potential suppliers, definite dates for purchasing decisions and clear rules for decision-delegation. The goal is to be best in the industry, which increases profitability at all levels of the organization. Since 2011, training for 150 professional purchasers has led to costsavings of more than SEK 25 m. In addition, more than 700 non-purchasers participated in a web-based training course, and a new program for the professional purchasers was implemented in late 2012.

**Sales Excellence.** The Sales Excellence program comprises Group-wide initiatives involving mobilization and coordination in selected geographic markets and segments. It includes a training project under the Trelleborg Group University umbrella (refer to page 32), which contains courses in sales and strategic marketing.

The program also encompasses a joint venture in development of the company's digital market communication and service in the B2B environment where Trelleborg operates, by applying new web strategies, developing customer apps and other tools for digital support for both prospective and existing customers throughout the entire process – from early information searches and demonstrated interest in purchasing to a finalized transaction and aftermarket service.

**Working Capital Excellence.** The purpose of this program is to reduce the capital base and thereby free up capital. The program comprises specific efficiency-enhancement measures for inventories, accounts receivable, accounts payable and other working capital.

**Manufacturing Excellence.** For a number of years now, Trelleborg has conducted a



The overall objectives of Trelleborg's Manufacturing Excellence Program.

Group-wide program at all of its production sites based on systematic efforts to achieve continuous improvement and achieve world-class manufacturing, and thus has increased cost-efficiency and competitiveness.

The foundation for the Manufacturing Excellence program is a maturity analysis where the current status is assessed and local objectives and activity plans are established. The current status and conditions vary for each operation, but joint key figures linked to the four objectives of efficiency, quality, safety and delivery (see diagram above) have been established and monitored on a monthly basis since 2012.

The first Group-wide round of training in the Trelleborg Manufacturing Excellence School, a recurring 12-month program, commenced in autumn 2012. Fifteen participants, representing various business units and countries, underwent training to achieve instructor certification. During the course of the program, they also participate in improvement projects connected to their own workplaces.

To support the program's activities and create a more standardized working method, a joint toolbox and training program have been developed based on the core principles of lean production models, such as 5S, Single-Minute Exchange of Die (SMED) and Total Productive Maintenance (TPM). The key to continued

efforts is to create a well-organized and functional workplace and secure organizational understanding and commitment. Accordingly, our objective is that all production plants have adopted the 5S method by 2013 at the latest.

An even more significant feature of our efficiency enhancements is best practice sharing, which is achieved sharing models documents and approaches on a joint intranet forum for all coordinators and anybody who is interested in the Manufacturing Excellence program. Trelleborg's social intranet, T-Talk, has provided new opportunities for this type of dialog and collaboration.

Energy Excellence, a part of Manufacturing Excellence, will enter a new phase in 2013. New incentives and training modules have been added to create a platform for further energy-efficiency improvements. By 2015, the aim is to reduce energy consumption by 10 percent (in relation to sales), based on levels for 2012.

## How excellence generates results

In 2012, Trelleborg Sealing Solutions in Fort Wayne, in the U.S., saved about SEK 5.5 m by simply reducing its waste.

"We needed to set challenges for ourselves in certain areas, such as delivery times, quality and customer focus," says Tim Stumph, General Manager at Fort Wayne. "The first step was to reduce our quotation period from six days, to less than 24 hours. Now we're down to four hours. This shows how value stream mapping, which is a LEAN process, can be applied in all parts of the operation."

"Everything we do focuses on speed and we are always trying to reduce lead times in our manufacturing processes. To speed them up, we have to eliminate everything that is unnecessary, which is what we call waste. Every time we introduced a change, we used a value stream map to identify any bottlenecks in production. Our initial lead time was 28 days. Today – five years later – we are down to between five and seven days. Our current delivery reliability is 99.7 percent and we are extremely proud of that result," concludes Tim Stumph.



# Innovation for customers and society

Trelleborg's innovation is based on custom-designed polymer solutions that seal, damp and protect critical applications due to their durability, elasticity and robustness. The solutions accelerate customer's performance and make a positive contribution to society.

**Polymer-based solutions that seal, damp and protect.** For more than a century, Trelleborg has been a forerunner in engineered polymer solutions and advanced materials technology in the market segments in which it operates. Trelleborg's offering satisfies a broad spectrum of requirements from industrial customers for the sealing, damping and protection of critical applications. Trelleborg has a unique capacity to tailor polymers to customer-specific requirements for elasticity, hardness and resistance. Innovation involves not only product development, but also rendering manufacturing and processes more efficient, achieved by insight into production solutions, systems thinking and services. Read more about polymers and their properties on the next page.



**Largest fender order.** An ultramodern port project in Doha, Qatar, is the largest contract ever for marine fender solutions in terms of both quantity and value. The fender systems, bollards and stays must be able to withstand extreme environmental conditions such as high levels of salinity and very high temperatures.



**DragonCoat.** Fires in underground train tunnels can be catastrophic, due to heat and smoke that cannot escape. A new flexible coating for antivibration components helps delay the spread of hazardous fumes for the few minutes the train needs to reach safety.

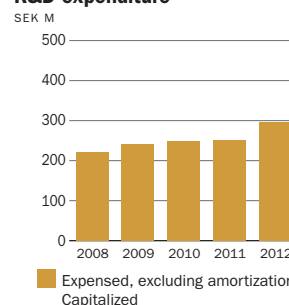
**Value-generation and results.** The purpose of Trelleborg's innovative expertise is to be a resource for customers, and thereby accelerate their own development of competitive solutions – to take the next step. The Group's employees are experts at supporting and communicating with customers. Trelleborg works in close proximity to its customers, as a local partner with a global company's reach and capacity, whether the solutions are intended for use in space, in the air, on land, at sea or below sea level. Trelleborg understands the customer market and how manufacturing and processes can be conducted efficiently – which is why the solutions will continue contributing to positive business results for customers.

Trelleborg will continue to invest in digital solutions as a means of enhancing our service to existing customers and reaching new customers.

**Research and development is conducted at three levels.** The first level comprises basic knowledge of the physical and chemical properties of polymers and other material. The second is knowledge of applications in the Group's global market segments. The third is the actual design of products and solutions.

**Global network of development units.** These provide advanced equipment for sound analysis, pressure, temperature and load simulation, measurement of wear and friction, system analysis and non-linear material analysis. An extensive test function has been established to guarantee lasting quality. Parameters tested include compression, fatigue, pressure resistance, wear, load, vibration and noise. In the final phase, testing of prototypes and finished products is often performed at the customer's facility under realistic conditions.

## R&D expenditure





# Blue Dimension™ – Solutions for people, the environment and society

**Blue Dimension™** is the common name for the socially beneficial aspects of Trelleborg's products and solutions.

**We save energy. We respect nature. We protect infrastructure. We fight noise.**

Under these four headings, Trelleborg gathers a long list of solutions with the common denominator that, as well as satisfying customers, they also benefit people, the environment and the society in which we live. This is what Trelleborg calls the Blue Dimension™ concept.

**Low friction is no friction.** Friction is resistance that consumes energy. By reducing friction, we can save energy. This is what Trelleborg

does with advanced solutions such as hydraulic seals, unique transportation hoses and the correct form of printing blanket for offset printers.

**Wheel of fortune.** The outermost surface and tread pattern of Trelleborg's agricultural tires are designed to minimize compression, which preserves the productivity of soil and protects organic matter under the surface. Fuel consumption is also reduced by up to 3,000 liters per year for a 260 hp tractor.

**Safe underwater transport.** Trelleborg's tunnel seals can be found all over the world. They are designed to withstand extreme pressure, and have the same long lifespan as the

tunnels they protect. They are also made to resist expansion, thermal effects, settlement and earthquakes.

**Eliminate noise.** Trelleborg is an expert in noise and vibration control systems. Our innovative brake shims for vehicles are one good example of how noise can be eliminated. The shims are made with a special lamination of steel and rubber, are easy to install and provide noise abatement and comfort all around the world.



**Weightlifter.** An impressive claw makes marine salvage operations faster, safer and less costly. The material in the gantry and barge connections has been designed for large loads and slow movements.

Several of the development units possess basic knowledge of the physical and chemical properties of polymers and other material and thus have the capacity to develop technology, as well as strate-

gic products and materials. The number of development units is steadily increasing. They represent strategic investments to consolidate and develop the competitive position when a market has become sufficiently large. In 2012, Trelleborg had some 40 development units in approximately 20 countries.

In 2012, Trelleborg's Research and Development expenditure amounted to SEK 297 M (252), representing about 1.4 percent (1.3) of sales.

**Good for customers, good for society.**

Although the purely technological, process and production aspects of Trelleborg's solutions provide the primary benefits, other dimensions can be highly significant such as solutions that also promote sustainable social development and reduce environmental impact. Trelleborg's products and solutions combat leakage, energy waste, noise and vibrations. This is what Trelleborg calls Blue Dimension™.



**Cleanroom manufacturing.** Silicon components and multi-component injection molding of liquid silicone for pharmaceutical and medical technology for the life sciences sub-segment are produced in automated environments.

## Polymers – the backbone of Trelleborg's operations

Polymers consist of long chains of molecules that form the building blocks in elastomers (rubber and thermoplastic elastomers) and plastics. While natural rubber has only one chemical variant, there are 20 or more chemical variants of synthetic rubber.

Natural rubber is produced from the rubber tree (*Hevea Brasiliensis*). Synthetic rubber is produced chemically, usually from petroleum (oil). Untreated natural rubber cracks if it is too cold and becomes viscous when warm. By adding sulfur, the rubber becomes elastic. This vulcanization process is the basis of modern rubber's almost infinite application possibilities.

Synthetic natural rubber has high elasticity and is resistant to abrasion and fatigue. Trelleborg uses it in large tires, springs, rubber bearings, hoses, gaskets and rubber-coated fabrics. Synthetic rubber, such as Styrene-butadiene rubber (SBR) and Isoprene rubber (IR), have similar properties to natural rubber. They are used as surface rubber for sand-blasting hoses, oil and gasoline hoses, tires and other products. Butadiene rubber (BR) is often used with other types of rubber for elasticity, abrasion resistance and good low-temperature flexibility. Ethylene-propylene diene monomer (EPM/EPDM) can withstand high temperatures and is used for sealing strips, hoses and so forth.

Read more about polymers and their applications. Scan the QR code with your smartphone or read more at [www.trelleborg.com](http://www.trelleborg.com)





# Employee culture based on knowledge development and security

Trelleborg represents an employee and leadership culture characterized by a customer focus, freedom with responsibility, knowledge development, leadership and a local base. Employee motivation and security is based on clear goals, job satisfaction and further development opportunities. The frameworks are provided by the principles in Trelleborg's Code of Conduct concerning secure working conditions, responsibility for the environment, ethical relationships with customers and suppliers, and positive interaction with society.

**Decentralization and knowledge development.** Trelleborg's decentralized structure and culture are based on Trelleborg's close proximity to customers and solutions with high technology and knowledge content. A key feature in strengthening opportunities for best-practice sharing and communication between Trelleborg's highly qualified employees today and in the future, is the Group's social intranet *T-Talk*, which was launched in 2012. T-Talk facilitates collaboration around business opportunities and customer solutions.

Another important step for knowledge development is the *Trelleborg Group University*, launched in 2013, which gathers all programs and courses conducted at Group level, in such areas as leadership, production, purchasing and sales.

**Work environment – health and safety.** Trelleborg's long-standing *Safety@Work* program aims to promote an international safety culture by implementing improvement programs with preventive and corrective measures at all production units. The program strengthens the Group's endeavors to attract, develop and retain talented employees. The program is monitored with selected indicators that aim to reduce the number of work-related injuries, illnesses and absenteeism.

Trelleborg's facilities continue to demonstrate a positive trend in cases of work-related injuries/illnesses (excluding

insourced staff). In 2012, 255 cases (284) resulting in more than one day's absence (= Lost Work Cases, LWC) were reported. The number of LWC per 100 employees per year was 2.49 (2.31), while the number of working days lost per injury per year declined to 25 (26). New targets have been established stating that work-related injuries and illnesses defined as LWC per 100 employees should be lower than 3.0 at each production site. The average number of working days lost per injury per year should be lower than 50 at each site. From 2013, the outcome will be presented as a percentage of the production sites that meet the respective targets.

In 2012, the average number of points in the *Safety@Work* risk model (the points received by a facility based on the model) in audits and self-assessments increased to 882 (848).

The goal is that all of Trelleborg's facilities will have a well-functioning safety committee. In 2012, such committees with representation from plant management were in place at 93 percent (88) of the facilities.

**Absenteeism in Sweden.** In 2012, total absenteeism at the Group's production units in Sweden was 3.9 percent of normal working hours.

**Workplace relationships.** Continuous change processes are taking place in Trelleborg in connection with acquisi-

tions, divestments and rationalizations. Accordingly, a primary task is to provide conditions for change and, with respect for each employee, reduce uncertainty and insecurity, while also ensuring the company's continued competitiveness. Trelleborg always complies with local legislation or collective agreements in relation to lay-off notices.

In 2012, Trelleborg divested two business units (see page 28). Furthermore, Trelleborg's antivibration operations in the former Trelleborg Automotive business area were transferred to the TrelleborgVibracoustic joint venture in July 2012.

**Human rights** comprise fundamental rights and are defined as conventions and declarations in respect of child labor, forced labor, freedom of association and collective agreements, diversity issues and gender equality. All of these areas are addressed in Trelleborg's Code of Conduct. Trelleborg's whistleblower policy entitles each employee, without repercussions, to report suspicions of any legal or regulatory violations. Within the scope of Trelleborg's ERM process for risk identification and evaluation, none of the Group's units have deemed the risk of human rights violations to be significant.

Aside from the environment-related fines described on page 35, no significant cases involving fines or sanctions for non-compliance with legislation or regulations occurred in 2012.

# Anticorruption measures 2013

For a number of years now, Trelleborg has been conducting a Group-wide Compliance Program that covers competition law issues. The program is being continuously developed and new countries and subsidiaries are gradually being included in the additional training courses and other programs in such areas as anticorruption and trade in products or with countries that are subject to trade restrictions. The aim of the program is to ensure correct behaviour in relation to competition legislation, trade in products

with links to Swedish or foreign defence activities and trade with countries and regimes subject to international sanctions. The program also includes extensive special training and activities as a consequence of the U.K. Bribery Act.

## Why is such a program necessary?

Trelleborg's Compliance Program is a long-term effort. All who represent Trelleborg as a global leader in custom-designed polymer solutions must understand that their conduct is synonymous

with the Group's brand, and it is thus necessary to evaluate their actions on a daily basis.

## What is Trelleborg's view of corruption?

Trelleborg takes a zero-tolerance approach to all forms of corruption. Each and every employee is obligated to comply with the Group's policies, and this program has been designed to clarify exactly what is required. It applies to the highest level of management right down to our middle managers, both in the field and on the shop floor.

**Child and forced labor.** Trelleborg has collaborated with Save the Children for a number of years; a project that is consistent with the company's support for activities for children and young people all over the world, and also strengthens expertise in the area of child labor. In 2012, there were no (0) child or forced labor violations.

**Freedom of association.** Trelleborg's policy is to acknowledge trade unions and the right to collective agreements. A total 43.5 percent (46) of Trelleborg's employees at the Group's production units are represented by a trade union through collective agreements.

**Diversity and gender equality.** No discrimination of employees on the grounds of gender, religion, age, disability, sexual orientation, nationality, political views, social background or ethnicity is permitted. In 2012, 8 cases (4) of discrimination were reported and reviewed. Of these, three cases were dismissed, one was withdrawn, two were settled and two are under review.

The third version of the successful mentor program for women participants, and participants from high-growth markets, was concluded in 2012.

**Talent Management** within the Group is aimed at securing a strong talent base for the recruitment of future leaders. The process is designed to effectively match the company's future recruitment requirements with individual career development plans.

**Talent Review Process.** The main purpose of the Talent Review Process is to identify employees with the potential to advance, on the basis of their employee

performance reviews, thus ensuring that the company's leadership recruitment needs are met. Unit and HR managers meet regularly to discuss potential candidates in their own business areas and units. Where necessary, Development Centers are engaged to verify potential and determine development requirements. Employees who are selected receive a personal development plan that follows them along their career path. The talent base and leadership recruitment plan are presented to Trelleborg's Board. Trelleborg aims to nurture internal talents in the best possible manner. The number of management or specialist vacancies internally advertised in 2012 was 165 (186).

**Performance reviews** take the form of coaching to encourage goal fulfillment, motivation, performance and development, and they follow a common structure that was revised in 2012. If an employee demonstrates leadership potential, a career development plan will be established. A new system for coordinating and archiving the reviews was introduced in early 2013. In 2011-12, a total of 4,374 salaried employees, corresponding to 80 percent of salaried employees at levels 1-7\*, participated in performance reviews.

**Training and development.** Trelleborg's fundamental principle for personal development is to offer training that not only increases proficiency, but also strengthens social and financial opportunities for our employees. Under the Trelleborg Group University umbrella that was launched in 2013, this development will be further strengthened at Group level by introducing an overall concept

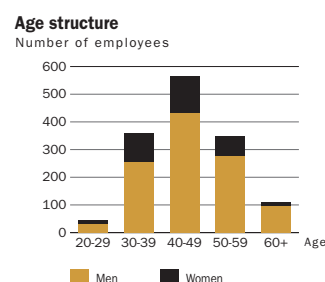
and new training courses. A diversity of training options is offered in each business area as well as locally.

In 2012, the average number of training hours per employee was 16.7 (13).

Training in the company's Code of Conduct will continue for all new employees.

**Salary and rewards.** A key factor for ensuring the Group's long-term success is a reward system that recognizes employees' performance. The framework for this is outlined in the global Compensation and Benefits Policy. Management remuneration is described on pages 50-51.

## Age and gender at management levels 3-5



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

The proportion of women is highest in the youngest age categories: 34 percent in the 20-29 age bracket, and 29 percent in the 30-39 age bracket. The proportion of women in executive management positions is 0 percent (18) and 29 percent (29) on the Board of Directors.

\*) Levels 1-7 relates to managerial levels, whereby level 1 is the CEO, level 2 comprises those reporting directly to the CEO, and so forth.



# Production culture for efficiency and safety



In Trelleborg's production line, raw materials and components are transformed into finished solutions. The processes require energy, water and chemicals. Trelleborg works consistently to optimize its resource efficiency and prevent and minimize the risks associated with production.

As of 2011, the monitoring of environment and resource indicators now include all of Trelleborg's companies and facilities, including non-manufacturing units. Since major divestments were made in 2012, historical data has been restated to comprise continuing operations only.

Trelleborg has extensive production operations in some 30 countries. In 2012, production took place at 88 remaining facilities, of which 52 are located in Europe, 24 in North and South America, ten in Asia and two in Australia. For some years now, Trelleborg had conducted the successful Group-wide Manufacturing Excellence program at all of its production facilities. The program is based on systematic work toward continuous improvements to achieve world-class status as a manufacturer, with joint indicators linked to the four areas of efficiency, quality, safety and delivery. Read more about the program on page 29.

**Environmental management.** Another cornerstone of the Group's production facilities is the ISO 14001 environmental management standard. According to the Group policy, all large units must be ISO 14001 certified. At the end of 2012, 69 facilities (68) were certified, corre-

sponding to approximately 78 percent (77) of all facilities. The target level is certification of 85 percent of facilities.

**Raw materials.** The principal raw materials are polymers (rubber, plastic) and metal components, as well as additives comprising softening agents (oils), fillers, such as carbon black, and vulcanizing agents (sulfur, peroxides). Of the raw rubber consumed, approximately 41 percent (38) is natural rubber and 59 percent (62) is synthetic rubber.

As a chemical user, Trelleborg is affected by the EU REACH regulation. Activities to adapt the Group's operations to REACH in 2012 continued to focus on communication with suppliers and customers regarding REACH-related issues to ensure compliance. At the end of 2012, the list of Substances of Very High Concern (SVHC) had expanded, meaning that the work in this area will remain a high priority.

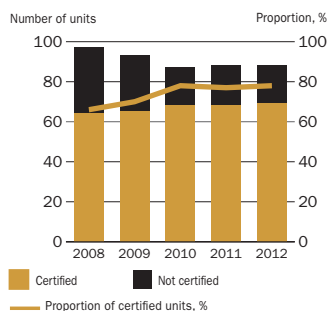
**Energy and climate impact.** A significant portion of the Group's energy consumption and, accordingly, climate impact, is connected to fossil fuel combustion (direct energy and emissions) and purchased electricity, steam and district heating (indirect energy and emissions).

Non-production units were also included in the calculations of total energy use in 2012, which amounted to 859 GWh (888). The total energy use per SEK M was 0.0400 GWh (0.0422), representing more than a 4-percent improvement. Direct energy use was 391 GWh (404).

Total CO<sub>2</sub> emissions in 2012 were 244,600 tons (254,500). Total CO<sub>2</sub> emissions per SEK M were 11.5 tons (12.1), an improvement of 5 percent. Direct CO<sub>2</sub> emissions were 84,600 tons (88,700).

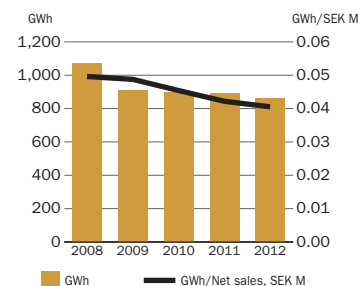
Trelleborg's Energy Excellence Program for systematic energy-efficiency enhancements (part of Manufacturing Excellence) has been introduced at all production units, and has led to lower energy consumption, lower costs and lower CO<sub>2</sub> emissions. During the initial period, between 2008 and 2011, energy consumption declined 13 percent in relation to sales, which surpassed the target set for the period. Energy Excellence is based on self-assessment and the implementation of improvement projects, which is achieved by training coordinators at every unit who, in turn, form teams to introduce cost-saving measures in reference to buildings, compressed air, heating/ventilation, lighting and cooling systems, and so forth. In 2012, activi-

## Environmental Management System



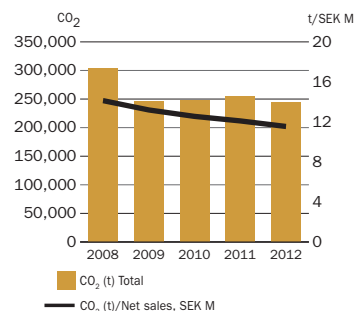
The proportion of certified units was 78 percent, which is approximately the same as the preceding year.

## Energy



The Energy Excellence efficiency program generated clear improvements.

## Climate impact



Total CO<sub>2</sub> emissions decreased in absolute and relative terms.

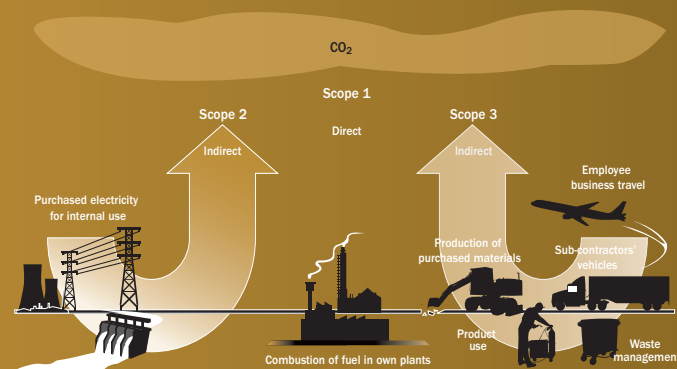


# Trelleborg's "15 by 15" climate-change strategy

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

Ongoing Energy Excellence activities (see pages 29 and 34) have reduced energy consumption in Trelleborg's production since 2009, and simultaneously led to an overall reduction in carbon dioxide emissions in total.

**Scope 3** includes indirect emissions from transport, travel, purchased materials, product use and waste management. Focus on reducing these types of indirect emissions is gradually increasing in Scope 3. Read more about climate-related opportunities and risks at [www.trelleborg.com/en/cr/Strategy](http://www.trelleborg.com/en/cr/Strategy).



ties focused on planning – new incentives and training modules have been added as of 2013 to provide a platform for further energy-efficiency enhancements, and a new energy target is under development for the forthcoming period.

The Group's total energy costs for 2012 were SEK 495 M (469).

The "15 by 15" climate target adopted by Trelleborg in 2009 addresses direct and indirect CO<sub>2</sub> emissions. The reporting of indirect emissions complies with the Carbon Disclosure Project's (CDP) recommendations, which means that national conversion factors from the Greenhouse Gas Protocol were applied. Since 2007, Trelleborg has also participated in the voluntary reporting process of the Carbon Disclosure Project, where it openly reports all relevant performance indicators and data. On behalf of global investors, the CDP gathers information regarding emissions of greenhouse gases by companies and organizations, as well as the measures they are taking to prevent a negative climate impact, visit [www.cdproject.net](http://www.cdproject.net). In the CDP Annual Report for 2012, Trelleborg received a score of 74 C, compared with 65 C in 2011. The figure is a disclosure score indicating the level of detail and comprehensiveness in a company's disclosure, while the letter is a performance score denoting the level of action taken on climate change. A high-performing company will receive A, A- or B.

**Water.** Water consumption in 2012 was 1.9 million m<sup>3</sup> (2.0). The amount of water extracted per source was 39 percent from drinking water, 30 percent from own wells and 31 percent from surface water. Water in production is mainly used for cooling and cleaning. Major savings have been made since 2008 by using, for example, recycling systems. Emissions to water are limited but mainly comprise organic matter.

**Waste.** The total amount of waste in 2012 was 43,400 tons (45,100). The amount of waste per SEK M was 2.0 tons (2.1). Continuous efforts to identify waste disposal alternatives with a higher degree of recycling and lower cost are ongoing in the local operations. Recycling is carried out by external partners and internally.

In 2012, the Group's total waste management cost amounted to SEK 35 M. The division was 3 percent to internal recycling, 47 percent to external recycling, 14 percent to energy recovery, 31 percent to landfill and 5 percent to other waste management services. Of the

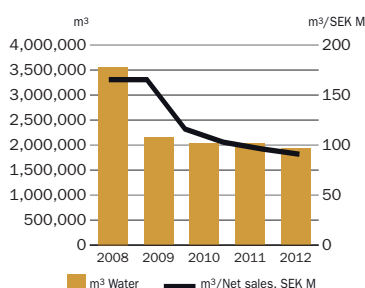
total waste, rubber accounted for slightly more than 27 percent (33). The volume of environmentally hazardous or health-endangering waste requiring special treatment amounted to 3,900 tons (3,700).

**Emissions to air.** In addition to energy-related emissions such as carbon dioxide (see page 34 and above), sulfur dioxide, 263 tons (311), and nitrogen oxides, 42 tons (46), the company's emissions to air primarily comprise volatile organic compounds (VOC). VOC emissions in 2012 totaled 854 tons (1,264). Emissions per SEK M were 0.040 tons (0.060). VOC emissions mainly originate from the use of adhesive agents containing solvents and the manufacturing of printing blankets. Developments in 2012 were focused on projects in progress aimed at reducing emissions, for example, by replacing the solvent constituents in products used in printing blankets. This is one clear example of positive effects on both the environment and the work environment.

## Indicators

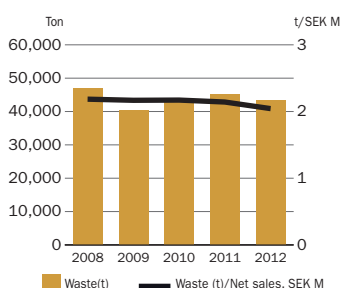
	2012	2011	Related to net sales, SEK M	
			2012	2011
Energy (GWh)	859	888	0.040	0.042
Climate impact (ton CO <sub>2</sub> )	244,600	254,500	11.5	12.1
Water (m <sup>3</sup> )	1,900,000	2,000,000	90.9	96.2
Waste (ton)	43,400	45,100	2.0	2.1
Emissions to air (ton VOC)	854	1,264	0.040	0.060

## Water



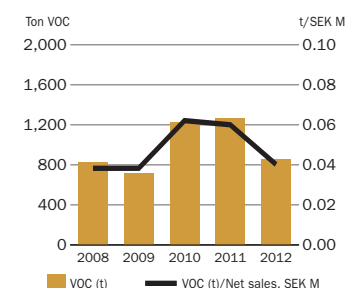
Total water consumption includes water used in production and, for example, sanitary water.

## Waste



The amount of waste declined in absolute terms and relative to sales.

## Emissions to air



Total emissions of volatile organic compounds declined sharply in absolute terms and relative to sales.

**Permits and breaches.** Of companies with manufacturing facilities, 55 percent (57) are required to hold permits under local law. All companies with manufacturing facilities in Sweden, 11 in total, are required to hold permits or report their activities. Renewal applications for environmental permits are currently being processed for 44 companies of 171 (0 in Sweden), of which all are expected to receive the permits requested.

During the year, the terms of permits or local health and safety legislation were breached in some form at 2 facilities (3). Of these, 2 cases (2) resulted in fines. The total cost for fines amounted to approximately SEK 0.02 M (0.17).

**Environmental risks and liabilities.**

2 cases (4) of unforeseen emissions were reported in 2012, corresponding to about 8 m<sup>3</sup> (1). Nearly the entire volume comprised oil.

Historically, the handling of oil and solvents has given rise to soil and groundwater contamination. Remediation of contaminated soil is currently under way at 11 plants (11). Another 12 facilities (12) are expected to require remediation, although the extent of the remediation has not yet been determined. In addition, Trelleborg is participating as one of several formal parties in another 5 cases (5) of remediation (3 in Sweden and 2 in the U.S.), although with a marginal cost responsibility. The Group's provisions for environmental commitments amounted to SEK 55 M (50) at year-end.

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 2012, 11 studies (55) were initiated and performed in conjunction with acquisitions and divestments.



**CR reporting on the Internet**

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

# Corporate Responsibility TrelleborgVibracoustic

TrelleborgVibracoustic was formed in July 2012 when Trelleborg and Freudenberg finalized the formation of the 50/50 joint venture in antivibration solutions for light and heavy vehicles.

**Management system.** The first six months of the joint venture were devoted to defining sustainability targets, consolidating existing reporting systems and identifying best practices to ensure that TrelleborgVibracoustic will be able to measure and meet defined targets. The new CSR management system for TrelleborgVibracoustic was officially launched at the end of 2012. It will provide a platform for monitoring performance in the areas of energy consumption, waste management and emissions. The new system enables a comparison of performance measurements with industry target levels, and the establishment of global projects for continuous

improvements with the purpose of minimizing environmental impacts in all regions.

**Healthcare program.** In December 2012, TrelleborgVibracoustics launched its healthcare program. The system is designed to provide opportunities for all employees to improve their health and well-being. 2012 also marked the starting point for a global appraisal system that supports career development and training requirements for employees.

**Products.** Various product development initiatives designed to help customers reduce their noise and emission levels

will continue. One typical example: in 2012, TrelleborgVibracoustic successfully launched a gearbox mount for Audi with an integrated mass damper, resulting in a weight savings of up to 30 percent. The company has also received an order for dampers for the Chevy Spark Electric Vehicle. Without an internal combustion engine, certain vibration frequencies are increasingly evident and this damper is specifically tuned to prevent high-frequency noises reaching the passenger cabin.





By their very nature, infrastructure projects are complex undertakings. To help customers meet challenges they face, Trelleborg delivers sealing profiles, dredging hoses and bearings for seismic areas.

# Governance and responsibility

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# Risks 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 damages and losses.



Trelleborg's operation is aimed at a range of customers and customer segments. The Group is represented in 43 geographic markets and has about 94 (110) manufacturing units. While the business is diversified – providing Trelleborg with an effective underlying risk spread – several risks remain. Accordingly, the ability to identify, evaluate and manage risks plays a central role in steering and controlling Trelleborg's business operations. The aim is to achieve the Group's financial targets while applying well-considered risk-taking within set parameters.

## Risks

Main risks encountered by Trelleborg are:

- **Strategic and operational risks:** include, for example, political decisions, conflicts, natural disasters, environmental impacts and external financial risks. Other examples are changed patterns and attitudes among customers and consumers, industry and market risks in the form of the economy's effect on demand, technology and market developments, supplier dependence, production disruptions and supply and price fluctuations of input goods in the form of raw materials and components. Additional examples include the ability to attract and retain key person-

nel, acquisition and integration of new units, divestments, structural measures, site risks, customer-related credit risks and IT risks.

- **Financial risks:** include foreign exchange, interest-rate, financing and liquidity risks as well as financial credit risks.
- **Legal and other risks:** include legislation and regulations, intellectual property rights, health, safety and the environment, authorities and control bodies, tax risks and disputes and damage claims.
- **Reporting risks:** include the risk of incorrect reporting to authorities and the risk of mistakes in the Group's financial reporting to the stock market.

A description of risks relating to financial reporting is presented in the Corporate Governance Report under the Report by the Board of Directors on Internal Control, pages 54-55. Climate-related opportunities and risks are presented at [www.trelleborg.com/cr/strategy](http://www.trelleborg.com/cr/strategy).

## Enterprise Risk Management Process

Trelleborg has established an Enterprise Risk Management process (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, to

provide a basis for decision-making regarding the management of risks and to enable the follow-up of risks and the manner in which they are managed. Within the scope of the ERM process, risks are identified, evaluated and managed in the Group's companies, business areas, business units and processes. The management of risks is performed through an appropriate balance between preventive and risk-reducing measures. The various processes and tools of the ERM process are continuously developed by integrating previously established risk management processes and systems in various parts of the Group and by strengthening risk management in areas with improvement potential.

The ERM process involves all of the Group's companies, business areas and business units. Overall coordination and work with specifically selected risk focus areas and the ERM Board is centrally controlled by the Group's Risk Management staff function and is led by the General Counsel, who assumes ultimate responsibility.

In addition to representatives of the Risk Management staff function and the Group's General Counsel, the ERM Board comprises the Group's CFO and selected business area representatives tasked with prioritizing the risk processes and



ensuring that there is clear ownership of prioritized risks.

The respective managers are in charge of risk management in the Group's companies, business areas and business units. This responsibility encompasses the day-to-day work focused on operational and other relevant risks, and on leading and developing risk management activities in their own areas of responsibility. The managers are supported by central Group resources in the form of the Risk Management, Internal Control and Group Treasury staff functions as well as Group-wide process and tools. Moreover, because selected parts of risk management activities are Group-wide, the central Group resources can be allocated to prioritized risk focus areas.

Group Treasury is responsible for financial risk management activities. The unit is in charge of Group companies' external bank relations, liquidity management, net financial items, interest-bearing liabilities and assets, Group-wide payment systems and netting of currency positions. Centralization of the Group's treasury management ensures substantial economies of scale, lower financing costs, tight management of the Group's financial risks and improved internal control.

Trelleborg's Treasury Policy defines the financing operation's purpose, organization and distribution of responsibility, and also prescribes a framework for financial risk management activities.

The Finance Committee of the Board of Directors reviews the Treasury Policy and proposes changes annually, or more frequently if necessary, after which the Treasury Policy is adopted by the Board.

Trelleborg's Treasury Policy states, among other things, that decisions on foreign exchange hedging of operating cash flows shall be made by the respective business areas in cooperation with Group Treasury, which manages hedging activities centrally. All foreign exchange transactions of Group companies must be conducted in conjunction with Group Treasury, which ensures that the Group's hedging activities are carried out in compliance with the Trelleborg's Treasury Policy. Group Treasury continuously monitors key figures related to the Group's capital structure and forecasts for the Group's liquidity reserve are reviewed on a monthly basis.

Within the scope of Trelleborg's Treasury Policy, Group Treasury has the option to conduct a certain level of pro-

prietary trading in currency and interest-rate instruments. Such trading generated a profit in 2012.

Trelleborg's risk management is systematically monitored by Group management using such tools as monthly reports from the managers in charge in which they describe developments within their respective areas of responsibility as well as identified risks. The Group's General Counsel reports on a continuous basis to the Audit Committee regarding the Group's risk activities and risk management and the Group's CFO reports on an ongoing basis to the Finance Committee concerning the Group's finance operations, including financial risks and financial risk management. Furthermore, the President regularly provides the Board with reports on the development of the Group's risks.

### ERM priorities

#### 2012

Within the framework of the ERM and strategy processes, the focus of the Risk Management staff function remained on jumbo risks, meaning risks that can result in damage or losses that may have significant impact on the entire Group and therefore motivate the risk being handled from a Group perspective.

Risk management activities in 2012 continued to focus primarily on the prioritized risk area "Protection of sites that are of critical importance for the Group's operations and earnings." Specific action plans to significantly raise the level of protection were produced and implementation of the measures commenced at 23 sites. Of these, 2 facilities were designated at the Highly Protected Risk level, which is the highest risk classification. The aim is to raise a further 10 sites to this level in the future.

In 2012, reporting procedures underwent further development for Enterprise Risk Management and Corporate Responsibility in which the Group's consolidation system plays a decisive role. The Group's companies, business areas and business units can use the system to systematically identify, analyze and assess risks and to follow up management and reporting of risks. This system is already in use in financial reporting and for reporting of work involving the internal control over the financial reporting. The systematic work was further improved through the preparation of Risk Dashboards for Enterprise Risk Management and Corporate Responsibility reporting.

### Activities in focus in 2013

During 2013, the ERM process will be developed further. The ERM Board will be expanded to include all of the chief financial officers of the Group's business areas in addition to the Internal Control staff function

Risk processes and risk systems were established for the prioritized ERM activities and they will continue to be part of the work with ERM. In 2013, the aim is to establish a more holistic view of the Group's risks and thereby expand the overall coordination of efforts relating to specially selected risk focus areas to also include the Financial, Corporate Governance, Infrastructure and Market segments. This expansion of the risk focus areas will encompass increased use of the Group consolidation system.

Examples of prioritized ERM activities in 2013 for the various segments include:

- Widening of the ERM work concerning corporate governance and increasing participation at both a organizational and geographic level.
- Risk assessment of strategic suppliers.
- The implementation of processes as part of Manufacturing Excellence for the handling and storage of chemicals at production units as well as work environment risks (Safety@Work).
- Combating corruption.
- Risk management processes for products and solutions in environments with elevated risk levels.
- Compliance follow-up through ISO certification and CR processes.

### Strategic and operational risks

Strategic and operational risks cover a number of different risks. For example, Trelleborg's operations are influenced by political decisions and administrative regulations in some 40 countries in which it operates. These include regulations that apply to taxation and financial reporting and legislation in the environmental area. Trelleborg's business is also affected, for example, by conflicts, natural disasters, environmental impacts and external financial risks. The ability to attract and retain key personnel, the acquisition and integration of new units, divestments and structural measures are examples of additional risks encountered by Trelleborg.

Trelleborg's focus on operational risks primarily encompasses market

risks, costs risks, site risks, customer-related credit risks and IT risks, in addition to such risks as work-related accidents.

#### Market risks

Trelleborg's business and earnings are exposed to market risks in the form of the economy's impact on demand for the Group's own products and solutions. Demand for Trelleborg's products and solutions impacts delivery volumes. The Group sells polymer-based products and solutions to a very broad spectrum of customers and sectors, with an emphasis on industry in Europe, the U.S. and high-growth markets. Demand for the Group's products and solutions largely moves in line with fluctuations in global industrial production. Demand can generally be divided into three large segments – *general industry*, *capital-intensive industry* and *light vehicles*.

General industry comprises a large number of products and solutions that are critical to the function of all continuous industrial processes and industrial products, providing a direct link to industrial business activity.

Demand in the capital-intensive industry has greater emphasis on products and solutions connected to major industrial projects often of an infrastructural nature. In capital-intensive industry, the impact of fluctuations in demand has a somewhat delayed effect, individual orders are larger and delivery periods are longer.

The demand scenario for the light vehicles segment is characterized by volumes determined by production and production plans in the international automotive industry. Rapid volume changes mean that this segment is one of the most sensitive to economic fluctuations.

The pressure on prices is most evident in the light vehicles segment, while the capital-intensive industry segment is the least sensitive.

The various segments are subject to seasonal effects and demand for the Group is normally higher in the first six months of the year than in the last six months.

#### Cost risks

Trelleborg's operations and earnings are also vulnerable to fluctuations in the supply and price of input goods in the form of raw materials and components. Trelleborg's two largest items in respect of purchasing costs are rubber and plastic raw materials.

Rubber and plastic raw materials account for approximately 40 percent of costs and, of this amount, natural rubber represents about 5 percentage points.

The purchase prices for natural

rubber are a mix of spot market and monthly prices, while purchase prices for other goods are determined by monthly and quarterly prices. The price of oil impacts prices to a certain degree.

Trelleborg does not work actively with various price-hedging instruments for input goods. It instead endeavors to establish sales agreements that allow price hikes to be passed on to the customer, immediately or with a certain delay. Trelleborg's strategy of working with several suppliers for critical input goods provides a certain degree of protection against large and sudden price hikes.

#### Site risks

Sudden and unexpected incidents can cause damage to sites, result in loss of production and damage to goods in transport.

Trelleborg's policy is to insure its sites for the replacement cost against interruption and property damages. The insured risk varies among the different sites, but amounts to a maximum of about SEK 2,000 M for an individual damage incident, of which a portion comprises the Group's excess amounting to a maximum of about SEK 15 M.

Trelleborg has focused on site risks:

- Stoppages in sites of critical importance for the Group's operations and earnings.
- Stoppages in sites exposed to natural disasters.
- Deficiencies in site security.

A Business Impact Analysis (BIA) and the strategy plan are used to determine how critical the various plants are for the Group's operations and earnings. A description of the risk status is prepared for critical sites.

Risk management activities in 2012 principally focused on the prioritized risk area "Protection of sites that are of critical importance for the Group's operations and earnings." Specific action plans to significantly raise the level of protection were produced and implementation of the measures commenced at 23 sites. Of these, 2 facilities were designated at the Highly Protected Risk level, which is the highest risk classification. The aim is to raise a further 10 sites to this level in the future.

An analysis of the risk of natural disasters was performed jointly with the insurer FM Global and resulted in measures in the form of improved physical site protection, raised awareness of the risks among local management, the introduction of contingency plans and now include any sensitive sub-

contractors that have been identified. Site safety risks are managed in line with a Group-wide policy in which a balance between preventive cover and insurance in each area is highly significant.

The aim is to effectively, and cost efficiently, protect employees, the environment, assets and operations, but also to create a steadily increasing sense of involvement in preventive actions. Risks can be minimized through loss-prevention measures, careful maintenance, training, planning in connection with site remodeling work and effective administrative procedures.

#### Customer-related credit risks

There is the risk that the financial circumstances of Trelleborg's customers changed to the effect that Trelleborg's accounts receivable remain unpaid. Trelleborg regularly assesses the credit rating of its customers and establishes credit limits for each customer.

#### IT risks

IT risks include interruptions to or faults in critical systems that could negatively impact Trelleborg's production and financial reporting.

Trelleborg works actively with an IT optimization project that aims to enhance the service level in relation to IT infrastructure, implement upgrades in a structured Group-wide manner, ensure legislative compliance in the various countries in which the Group operates and generally improve information security in and between systems.

#### Legal and other risks

##### Legal risks

Legal risks arise primarily in connection with various contractual relationships. The various legal risks on which Trelleborg focuses in the ERM process are:

- Unsuitable balance of responsibility in supply contracts.
- Responsibility for delivered products and solutions in environments with elevated risk levels.
- Inadequate application of competition legislation.
- Risk of corruption.

To avoid undesirable legal risks, such as an inappropriate balance of responsibility in supply contracts, and to assure the quality of the Group's contracts, Trelleborg's companies, business areas and business units work with well-balanced contract models, checklists for risk assessments and policies governing liability caps, and procedures for approving

contracts. The volume of agreements examined under central guidelines has been expanded as a result of an overall contract review process.

The tool currently used by Trelleborg to examine specifically selected contracts and contracts within specifically selected risk areas is the Contract Risk Pack process. Initial examination is conducted by the Group company entering into the contract. The process builds on responses to a large number of questions and these responses are graded according to a defined points system. The outcome determines the extent of the contractual risk. If risks are deemed to exceed a specific level, the Group company's contract must be approved higher up in the organization, at the business area president level and, in some cases, at CEO level.

Environments with elevated risk levels are encountered by certain products and solutions supplied by business units focusing on offshore oil & gas, marine fenders, life sciences and aerospace. The elevated risk level has been determined based on such criteria as the degree of product exposure, the size of contracts and the launch of new products and technologies. The Contract Risk Pack process highlights the physical and technical risks of the product, solution and manufacturing process, and links these to the legal risk and the Group's insurance situation. Understanding and application of prevailing competition

legislation is ensured through such activities as comprehensive training seminars and e-learning, a thorough review and examination of distributor and agent agreements, and established procedures and approval of membership in organizations. In the U.S., Trelleborg carried out an Enhanced Compliance and Training Program to further raise the level of knowledge regarding competition legislation among the Group's employees, particularly in respect of public procurement.

The purchasing process's risks based on the capacity of major suppliers to comply with Trelleborg's Code of Conduct have previously been inventoried. A new inventory is being performed from the perspective of new dimensions, including overriding risks, credit risks, and the risk of production disruptions caused by natural disasters.

Trelleborg's Code of Conduct is the principal tool used to counteract corruption. Application is ensured through the establishment of procedures involving Acceptance Letters issued by the Group's President, whereby relevant employees sign a letter each year confirming knowledge of, and compliance with, the Group's steering instruments, including the Code of Conduct. This is supplemented by a process for whistleblowers. Trelleborg's whistleblower policy implies that each employee is entitled, without any repercussions, to report suspicions of legal or regulatory violations.

### Environmental risks

Environmental impact is mainly caused through emissions to air and water, and the production of noise and waste involving the risk of accidents and breaches of regulations. On the basis of a risk perspective, Trelleborg has mainly focused on adverse environmental impacts due to site accidents. Risk analyses are conducted in conjunction with signing property insurance agreements, ISO 14000 certification processes, collection of data and analysis of chemicals in connection with, for example, REACH activities, and reviews performed by local authorities. The analyses provide valuable information about the various risks at the sites.

To make it easier to assess the impact on the Group, the process to identify risks at an overall and accumulated level has been improved. At sites with a potential risk of impact on the environment, action programs were implemented primarily aimed at identifying the hazardous chemicals that exist on site and how they are used, stored and protected.

## Financial risks

Risk description and policy	Exposure and comments																		
<b>Foreign exchange risks</b>																			
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.																			
<b>Transaction risks</b>																			
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. 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 flows is hedged by Group Treasury based on the business area's hedging decisions to reduce the impact on earnings. Hedging is mainly conducted using currency forward contracts, supplemented by currency swaps and currency options.	The Group's net exposure is estimated at an annual value of about SEK 2,700 m (2,600). The currency pairs with the highest net flows, meaning those expected to exceed the equivalent of SEK 100 m over a period of 12 months from the fourth quarter of 2012, and the amounts hedged per currency pair per December 31, 2012 are shown in the table below. For the stated forward period, the currencies with the greatest budgeted net flows are EUR (SEK 691 m equivalent), USD (neg: SEK 424 m equivalent) and SEK (neg: SEK 214 m equivalent).																		
<b>Policy.</b> Group companies may hedge a maximum of 100 percent of their forecasted net exposure per currency pair over a rolling forward period of 12 months as well as up to 100 percent of invoiced net flows per currency pair. Contracted projects with an order value exceeding EUR 1 m must be hedged. Group companies hedges shall be conducted through Group Treasury.	<b>Expected annual exposure per currency pair with the highest 12-month net flow from the fourth quarter of 2012 (SEK m)</b>																		
	<table><tr><th>Currency pair</th><th>Net flow</th><th>Hedging</th></tr><tr><td>EUR/LKR</td><td>489</td><td></td></tr><tr><td>EUR/DKK</td><td>288</td><td>-269</td></tr><tr><td>USD/CNY</td><td>194</td><td></td></tr><tr><td>USD/SEK</td><td>193</td><td>-180</td></tr><tr><td>EUR/CZK</td><td>135</td><td></td></tr></table>	Currency pair	Net flow	Hedging	EUR/LKR	489		EUR/DKK	288	-269	USD/CNY	194		USD/SEK	193	-180	EUR/CZK	135	
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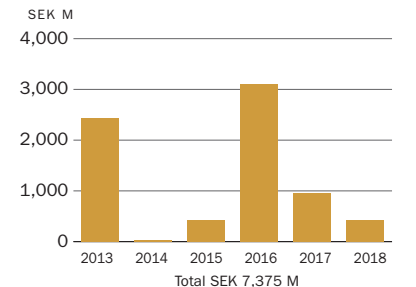
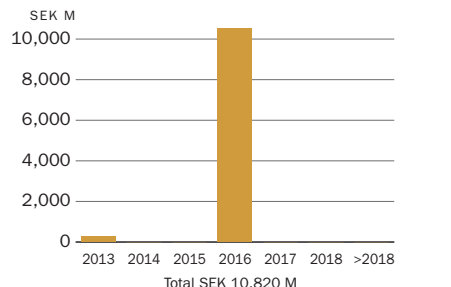
## Financial risks, continuing

Risk description and policy	Exposure and comments																																
<b>Translation risks – Income statement</b> Exchange rate fluctuations impact the Group's earnings in connection with the translation of foreign subsidiaries' income statements to SEK.  <b>Policy.</b> The Group does not normally hedge this risk.	<p>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. In 2012, operating profit for continuing operations was negatively affected by a total of SEK 7 m (neg: 146) and net profit in an amount of approximately negative SEK 13 m (neg: 89) due to exchange rate fluctuations upon translation of the income statements of foreign subsidiaries, compared with exchange rates in the preceding year.</p> <table><tr><th colspan="4">Translation effects: foreign exchange effects on the income statement (SEK M)</th></tr><tr><th>Currency</th><th>Net sales</th><th>Operating profit</th><th>Net Profit/loss</th></tr><tr><td>EUR</td><td>-272</td><td>-34</td><td>-30</td></tr><tr><td>GBP</td><td>64</td><td>8</td><td>7</td></tr><tr><td>USD</td><td>197</td><td>21</td><td>16</td></tr><tr><td>Other</td><td>4</td><td>-2</td><td>-6</td></tr><tr><td><b>Total 2012</b></td><td><b>-7</b></td><td><b>-7</b></td><td><b>-13</b></td></tr><tr><td><b>Total 2011</b></td><td><b>-1,233</b></td><td><b>-146</b></td><td><b>-89</b></td></tr></table>	Translation effects: foreign exchange effects on the income statement (SEK M)				Currency	Net sales	Operating profit	Net Profit/loss	EUR	-272	-34	-30	GBP	64	8	7	USD	197	21	16	Other	4	-2	-6	<b>Total 2012</b>	<b>-7</b>	<b>-7</b>	<b>-13</b>	<b>Total 2011</b>	<b>-1,233</b>	<b>-146</b>	<b>-89</b>
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<b>Translation risks – Balance sheet</b> When translating the Group's investments in 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 associated companies.  <b>Policy.</b> Investments in foreign subsidiaries and associated companies may be hedged in a range of between 0 and 100 percent of the investment's value (which, because of the tax effect, implies a maximum hedge ratio of approximately 70 percent of the investment's value). The decision regarding possible hedging measures is taken following an overall evaluation of foreign exchange rate levels and the effects on net financial items, liquidity and taxes, as well as on the Group's debt/equity ratio.	<p>At year-end 2012, net investments in Trelleborg's foreign operations amounted to approximately SEK 20,253 (20,766). In 2012, Trelleborg's translation differences amounted to negative SEK 577 m (neg: 30), calculated after hedging with deductions for taxes.</p> <p>At year-end 2012, 54 percent (45) of net investments were hedged.</p> <p>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 120 m (neg: 137) after tax effects.</p> <table><tr><th colspan="4">Sensitivity analysis: translation risk in balance sheet, after consideration of possible tax effects (SEK M)</th></tr><tr><th>Currency</th><th>Net investment, SEK M</th><th>Hedging, %</th><th>Effect on equity, if SEK 1% stronger, SEK M</th></tr><tr><td>EUR</td><td>10,377</td><td>62%</td><td>-56</td></tr><tr><td>GBP</td><td>2,144</td><td>54%</td><td>-13</td></tr><tr><td>USD</td><td>2,710</td><td>81%</td><td>-11</td></tr><tr><td>Other</td><td>5,022</td><td>22%</td><td>-40</td></tr><tr><td><b>Total 2012</b></td><td><b>20,253</b></td><td><b>54%</b></td><td><b>-120</b></td></tr><tr><td><b>Total 2011</b></td><td><b>20,766</b></td><td><b>45%</b></td><td><b>-137</b></td></tr></table>	Sensitivity analysis: translation risk in balance sheet, after consideration of possible tax effects (SEK M)				Currency	Net investment, SEK M	Hedging, %	Effect on equity, if SEK 1% stronger, SEK M	EUR	10,377	62%	-56	GBP	2,144	54%	-13	USD	2,710	81%	-11	Other	5,022	22%	-40	<b>Total 2012</b>	<b>20,253</b>	<b>54%</b>	<b>-120</b>	<b>Total 2011</b>	<b>20,766</b>	<b>45%</b>	<b>-137</b>
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<b>Interest-rate risks</b> Because most of Trelleborg's net debt bears variable interest, the Group focuses on managing the cash-flow risk related to interest-rate fluctuations, 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. 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.  <b>Policy.</b> Borrowing – The average fixed-interest term on the Group's gross borrowing, including the impact of derivative instruments, may not exceed four years. Investments – The average fixed-interest term on interest-bearing investments, including the impact of derivative instruments, may not exceed two years on a maximum amount of SEK 2,000 m, or the equivalent amount in other currencies.	<p>The Group's average interest-bearing net debt amounted to SEK 6,218 m (6,775) during the year. Net financial items corresponded to 3.0 percent (3.1) of the average net debt, while net interest items corresponded to 2.3 percent (2.2).</p> <p>At December 31, 2012, the Group's interest-bearing debt totaled SEK 7,375 m (7,623). The average fixed-interest term, including derivatives, was approximately 12 months (16 months). At December 31, 2012, outstanding interest-bearing investments amounted to SEK 2,015 m (1,198), with an average period of fixed interest of approximately 2 months (11). At year-end, the Group's net interest-bearing debt amounted to SEK 5,360 m (6,425) with an average remaining period of fixed interest of about 16 months (17 months).</p> <p>Based on the level of interest-bearing net debt at year-end, a 1 percentage point rise in market interest rates in all currencies in which the Group has loans or investments would generate a net cost increase of approximately SEK 25 m (24) after tax effects in net financial items for 2013. The currencies with the greatest impact are EUR, USD and GBP. Taking into account the interest-rate hedges in place at year-end 2012, and for which hedge accounting has been applied, an increase in the market interest rates of one percentage point in currencies that have been hedged would have a positive impact on comprehensive income of SEK 53 m (67) after tax effects.</p> <table><tr><th colspan="3">Impact in 2013 on consolidated interest expenditure of a one percent point increase in market interest rates</th></tr><tr><th>Currency</th><th>Risk before hedging</th><th>Risk after hedging</th></tr><tr><td>EUR</td><td>-40</td><td>-10</td></tr><tr><td>USD</td><td>-20</td><td>-10</td></tr><tr><td>GBP</td><td>-10</td><td>-5</td></tr></table> <p>An analysis of the Group's interest-bearing debt is reported in Note 27. Outstanding interest-bearing investments are reported in Notes 16, 22 and 24.</p>	Impact in 2013 on consolidated interest expenditure of a one percent point increase in market interest rates			Currency	Risk before hedging	Risk after hedging	EUR	-40	-10	USD	-20	-10	GBP	-10	-5																	
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## Financial risks, continuing

Risk description and policy	Exposure and comments																																																
<b>Financing risks and liquidity risks</b> <p>Financing risks are defined as the risks that the refinancing of maturing debt may become difficult or costly to arrange, thereby impairing the Group's ability to fulfill its payment obligations. Liquidity risks refer to the risks of not being able to fulfill payment obligations as they fall due.</p> <p><b>Policy.</b> Contracted credit facilities with a term of at least 12 months must be available in an amount equivalent to the Group's gross debt 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.</p>	<p>The Group has good access to short-term borrowing in the money markets through a Swedish domestic commercial paper program totaling SEK 4,000 M. The program was constantly utilized throughout 2012 with an average outstanding volume of approximately SEK 1,800 M.</p> <p>Access to capital markets is facilitated through a Medium Term Note (MTN) program with a program amount of SEK 3,000 M for issuance in the Swedish market as well as through bilateral and syndicated bank loans.</p> <p>Following a first transaction under the MTN program, which took place in 2011 by issuing a bond of EUR 110 M with a six-year term, Trelleborg has continued to establish an issuance track record in 2012 by issuing a bond of EUR 50 M under the MTN program with a seven-year tenor in November 2012.</p> <p>Committed confirmed credit facilities totaled SEK 10,918 M (11,924) per December 31, 2012, of which an amount of SEK 7,686 M (7,881) was then undrawn. Contracted credit facilities exceeded the Group's gross debt in 2012 in line with policy. At year-end, the Group's total interest-bearing liabilities amounted to SEK 7,375 M (7,623).</p> <div><div><b>Maturity term structure of the Group's interest-bearing liabilities per December 31, 2012</b></div><table><thead><tr><th>Year</th><th>SEK M</th></tr></thead><tbody><tr><td>2013</td><td>2,433</td></tr><tr><td>2014</td><td>895</td></tr><tr><td>2015</td><td>492</td></tr><tr><td>2016</td><td>3,042</td></tr><tr><td>2017</td><td>1,140</td></tr><tr><td>2018</td><td>1,433</td></tr></tbody></table><p>Total SEK 7,375 M</p></div> <div><div><b>Maturity term structure of the Group's committed confirmed credit facilities per December 31, 2012</b></div><table><thead><tr><th>Year</th><th>SEK M</th></tr></thead><tbody><tr><td>2013</td><td>50</td></tr><tr><td>2014</td><td>0</td></tr><tr><td>2015</td><td>0</td></tr><tr><td>2016</td><td>10,820</td></tr><tr><td>2017</td><td>0</td></tr><tr><td>2018</td><td>0</td></tr><tr><td>&gt;2018</td><td>0</td></tr></tbody></table><p>Total SEK 10,820 M</p></div> <p>Short-term liabilities, maturing in 2013, amounted to SEK 2,433 M (2,171) and comprised short-term bilateral bank borrowings of SEK 895 M (271) and commercial paper of SEK 1,538 M (1,900).</p> <p>Long-term liabilities amounted to SEK 4,942 M (5,452) and consisted mainly of drawings under the Group's syndicated loan, contracted in 2011, of SEK 3,140 M (4,034), and outstanding bonds of SEK 1,811 M (1,433). Short-term liabilities were backstopped by the long-term committed confirmed credit lines.</p> <p>At the end of 2012, the Group's committed confirmed credit lines principally comprised a syndicated loan. The syndicated loan, in the form of a multicurrency revolving credit with swingline consists of two tranches in EUR 750 M (SEK 6,469 M) and USD 625 M (SEK facility 4,073 M). The loan matures in its entirety in March 2016. The credit facility is provided by a total of 16 leading financial institutions from Europe, Asia and the U.S. Based on the number and standing of these banks, Trelleborg considers the banking syndicate to be strong.</p> <div><b>Group's capital structure</b></div> <table><tr><th>SEK M</th><th>2012</th><th>2011</th></tr><tr><td>Interest-bearing liabilities (Note 27)</td><td>7,375</td><td>7,623</td></tr><tr><td>Less: Interest-bearing assets (Notes 16, 22 and 24)</td><td>-2,015</td><td>-1,198</td></tr><tr><td>Total net debt</td><td>5,360</td><td>6,425</td></tr><tr><td>Total shareholders' equity</td><td>14,169</td><td>13,504</td></tr><tr><td><b>Debt/equity ratio</b></td><td><b>38%</b></td><td><b>48%</b></td></tr></table> <p>The Group monitors the capital structure on the basis of several key figures, one of which is the debt/equity ratio. Due primarily to a strong cash flow, the debt/equity ratio declined to 38 percent (48). The Group's key figures related to the capital structure and forecasts for the Group's liquidity reserve are regularly followed up on a monthly basis.</p>	Year	SEK M	2013	2,433	2014	895	2015	492	2016	3,042	2017	1,140	2018	1,433	Year	SEK M	2013	50	2014	0	2015	0	2016	10,820	2017	0	2018	0	>2018	0	SEK M	2012	2011	Interest-bearing liabilities (Note 27)	7,375	7,623	Less: Interest-bearing assets (Notes 16, 22 and 24)	-2,015	-1,198	Total net debt	5,360	6,425	Total shareholders' equity	14,169	13,504	<b>Debt/equity ratio</b>	<b>38%</b>	<b>48%</b>
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<b>Financial credit risks</b> <p>Financial credit risks are defined as the risks of incurring losses if the financial counterparties with which the Group has placed cash and cash equivalents and short-term bank deposits, or with which it has entered into financial instruments with positive market values, default on their commitments. Credit risk in accounts receivable is defined as an operational risk.</p> <p><b>Policy.</b> 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. See Note 28 for further information.</p>	<p>Since the Group is a net borrower, excess liquidity shall primarily be used to amortize external liabilities.</p> <p>Outstanding financial credit risk exposure at December 31, 2012 amounted to SEK 2,041 M (1,228) and was attributable to interest-bearing bank investments of SEK 95 M (114), cash and cash equivalents of SEK 660 M (753), derivative instruments of SEK 162 M (130), interest-bearing loan receivables of SEK 236 M (231) and interest-bearing receivables from associated companies of SEK 888 M (0). The exposure was distributed among some one hundred counterparties and was in line with the Group's Treasury Policy. For further analysis, refer to Note 28. No credit losses stemming from investments of cash or cash equivalents or financial instruments occurred in 2012.</p>																																																



# Chairman of the Board on corporate governance

**Balance between opportunities and risks.** In the work of the Board, it is important to maintain an eye on the long-term strategic objective and to focus the business on the markets and segments that offer the best potential for profitable growth, while also taking time to address more urgent matters. Because of the economic climate in primarily Europe, the Board has maintained an elevated level of preparedness in its decision making to enable it to act to address a weakening of demand. In this respect, good corporate governance plays a decisive role. It is important to maintain a healthy balance between development of the Group's business opportunities and identification and management of the risks posed by an increasingly complex and dynamic business environment – both in the short and long-term.

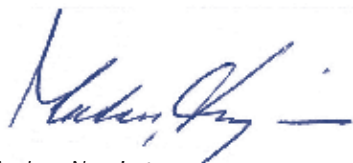
**Strong financial base in the operation.** During the year, the largest transaction in Trelleborg's recent history, measured in terms of sales and the number of employees, became a reality. July marked the foundation of the joint venture TrelleborgVibracoustic, a world leader in antivibration solutions for light and heavy vehicles. In December, the company's long-term, standalone financing was finalized; a milestone in terms of making TrelleborgVibracoustic operational and an independent global industrial player.

In addition to the above, Trelleborg has a very healthy capital structure, thereby providing flexibility for the future. Net indebtedness declined during the year as did the debt/equity ratio, which is now 38 percent.

**Raising the bar and intensified focus.** As of the 2013 fiscal year, Trelleborg will work toward new financial targets. Trelleborg's performance and future justify more ambitious targets. In parallel, we have restructured the operational organization with the aim of achieving a stronger focus on core businesses and an even more transparent operation. You can read about the new business areas in this Annual Report.

Corporate Responsibility remains an integral part of the strategic governance of the Trelleborg Group. In this Annual Report, we have elected to highlight sections about employees, production processes and innovation in the opening strategy chapter. Because these aspects account for much of the Group's value generation, this represents a natural and future-oriented change. We have also developed the pages dedicated to corporate governance on the website [www.trelleborg.com](http://www.trelleborg.com) – please take time to visit these.

**Corporate governance promotes value generation.** After 14 years on the Board, 11 of which I have served as Chairman, I have declared that I will not be standing for reelection. I have enjoyed myself immensely at Trelleborg. On the Board, and among staff, we have worked intensively over the years to structure and position the Group as a world leader of engineered polymer solutions. This, of course, would not have been possible without good corporate governance. The creation of processes for governance and control has successfully supported the Board and Group Management in their efforts to increase customer and shareholder value. I would like to thank the shareholders for the confidence they have shown in me over the years, and Trelleborg's employees for their steadfast dedication, hard work and great willingness to embrace change. At the same time, I would like to wish the new Board the best of luck with the task ahead.



Anders Narvinger  
Chairman of the Board

# Corporate governance

Trelleborg is a publicly traded Swedish limited liability company listed on NASDAQ OMX Stockholm Large Cap. Trelleborg applies the Swedish Code of Corporate Governance and presents its 2012 Corporate Governance report in this section. Trelleborg has no deviations to report. The report has been examined by the company's auditor.

**Shareholders** 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.

Series A shares carry ten votes and Series B shares carry one vote. All Series A shares are owned by the Dunker Funds and Foundations, which comprise a number of foundations, funds and management companies created through testamentary disposition by former owner and founder of the Helsingborg and Trelleborg rubber-production plants, Henry Dunker, who died in 1962.

At year-end, the number of shareholders was 49,932 (51,572).

Of the total number of shares, foreign shareholders accounted for approximately 29 percent (23).

Institutions accounted for the majority of ownership. At the end of the year, 85 percent (66) of the total number of shares were owned by legal entities and 15 percent (34) by private individuals.

For further information on the share and shareholders, refer to pages 4-5 and Trelleborg's website.

**Annual General Meeting 2012.** The Annual General Meeting took place on Thursday, April 19, 2012 in Trelleborg. At the meeting, 720 shareholders (656)

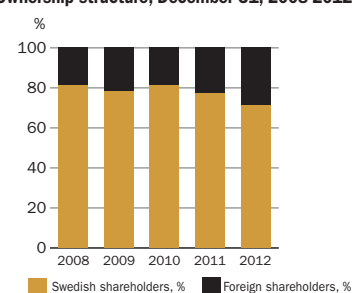
were in attendance, personally or by proxy, representing about 71 percent (72) of the total number of votes. A single shareholder, Dunker Funds and Foundations, represented approximately 76 percent (76) of the votes at the meeting. The Chairman of the Board, Anders Narvinger, was elected Chairman of the Meeting.

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

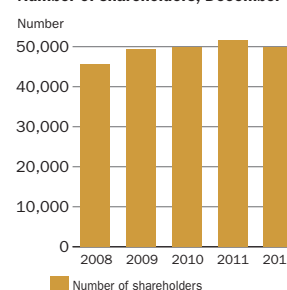
**Resolutions** The minutes from the Annual General Meeting have been made available on Trelleborg's website. The resolutions passed by the Meeting included the following:

- Dividends to be paid for the 2011 fiscal year as per the Board's and President's proposal in the amount of SEK 2.50 per share.
- Re-election of all Board members.
- Re-election of Anders Narvinger as Chairman of the Board.
- Fees to the Board members and remuneration of 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.

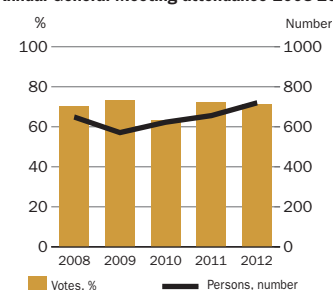
Ownership structure, December 31, 2008-2012



Number of shareholders, December 31, 2008-2012



Annual General Meeting attendance 2008-2012



## Further information on corporate governance

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

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

**Nomination Committee for the 2013 Annual General Meeting.** The 2012 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 at the close of the third quarter to each appoint one member to the Nomination Committee. The composition of the Nomination Committee was published on Trelleborg's website and through a press release on October 24, 2012. At the end of the third quarter, the Nomination Committee represented approximately 62 percent (63) of the shareholders' votes.

The guidelines of the principal owners 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 stated in the Swedish Code of Corporate Governance.

The Nomination Committee for 2013 held 3 meetings (3) and a number of telephone conferences. The members of the Nomination Committee and the shareholders who appointed them are presented in the table below. In addition, the Chairman of the Board, Anders Narvinger, was a member of the Nomination Committee for 2013.

As a basis for the Committee's work, information on the company's operations and strategic focus was presented by the President. The Chairman of the Board presented the annual evaluation of the Board members' activities, and provided information on the Board's work during the year. Each chairman of the Board's committees provided further information on work in the various committees. The Nomination Committee has also met with a number of individual Board members for interviews and discussions.

Chairman of the Board Anders Narvinger, after 14 years on the Board, 11 of which as Chairman, has declared that he will not be standing for reelection.

#### Nomination Committee for the Annual General Meeting

Name/Representing	Share of votes, Sep 28, 2012	Share of votes, Dec 31, 2012
Rolf Kjellman, Henry and Gerda Dunker Foundation	54.1%	54.1%
Henrik Didner, Didner & Gerge Funds	3.5%	3.4%
Peter Rönström, Lannebo Funds	2.5%	1.9%
Åsa Nisell, Swedbank Robur Funds	1.6%	1.4%
Johan Strandberg, SEB Investment Management	1.6%	1.6%
<b>Total</b>	<b>63.3%</b>	<b>62.4%</b>

**Proposals to the 2013 Annual General Meeting.** The Nomination Committee has formulated the proposals below for submission to the 2013 Annual General Meeting for resolution:

- The Nomination Committee has resolved to propose that the Annual General Meeting re-elect the following Board members: Hans Biörck, Claes Lindqvist, Sören Mellstig, Peter Nilsson, Bo Risberg, Nina Udnes Tronstad and Heléne Vibbles Bergquist.
- The Nomination Committee has resolved to propose that the Annual General Meeting elect current Board Member Sören Mellstig as new Chairman of the Board.
- The Nomination Committee has resolved to propose that the Annual General Meeting elect Jan Carlson as new Board member.
- The Nomination Committee has resolved to propose that the Annual General Meeting re-elect PricewaterhouseCoopers AB as the company's auditor for 2013.

**The Board of Directors** In 2012, Trelleborg's Board of Directors comprised eight members elected by the Annual General Meeting, including the President and CEO. Employees elect three representatives and one deputy to the Board of Directors.

The Group's CFO, Carolina Dybeck Happe, who was succeeded by Ulf Berg-hult on May 1, 2012, attends the Board meetings as does the General Counsel, Ulf Gradén, who serves as the Board's secretary. Other salaried employees of the Group participate in the Board meetings to make presentations on specific matters when necessary.

**Independence of the Board.** The Board's assessment, which is shared by the Nomination Committee, of the Board members' independence in relation to Trelleborg and the shareholders is presented in the table on pages 48-49. As evident from the table, Trelleborg complies with the Swedish Code of Corporate Governance's requirements that the majority of the Board members elected by the General Meeting must be independent in relation to Trelleborg and company management, and that at least two of these shall also be independent in relation to Trelleborg's major shareholders.

## Work of the Board of Directors

The number of Board meetings in 2012 was 8 (9). The work focused largely on structural issues and the strategic plan.

<b>February</b>	<b>No. 1:</b> Legal disputes and insurance coverage, Year-end Report, 2011 Annual Report, Audit report, Structural issues, Committee reports.
<b>April</b>	<b>No. 2:</b> Interim report for first quarter, Structural issues, Prior to the Annual General Meeting, Committee reports.
	<b>No. 3:</b> Statutory Board meeting.
<b>July</b>	<b>No. 4:</b> Interim report for second quarter, Audit Report, Committee reports.
<b>September</b>	<b>No. 5:</b> Structural issues.
	<b>No. 6:</b> Review of Trelleborg's operations in India/Sri Lanka, Structural issues, Strategic plan process.
<b>October</b>	<b>No. 7:</b> Strategic plan 2013-2015, Interim report for third quarter, Structural issues, Committee reports.
<b>December</b>	<b>No. 8:</b> Forecast for 2013, Strategic plan 2013-2015, Structural issues, Audit report, Committee reports.

The President presents a report on the operations' performance at ordinary 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.



**Evaluation of Board members 2012.** The Chairman of the Board is responsible for evaluating the Board's work, including the work of individual members. This occurs annually in accordance with an established process. Periodically, evaluation is conducted with the assistance of external consultants.

In 2012, the evaluation was conducted, in part, as a self-assessment whereby the Chairman of the Board interviewed all Board members individually and, in part, through interviews and discussions involving the Nomination Committee and a number of individual Board members, as well as feedback and discussions with the entire Board of Directors.

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

**Audit Committee** In 2012, the Audit Committee comprised Heléne Vibbleus Bergquist, who also chairs the Committee, Claes Lindqvist, Sören Mellstig and Anders Narvinger, who was succeeded by Bo Risberg during the year. The Group's CFO, Carolina Dybeck Happe, who was succeeded by Ulf Berghult on May 1, 2012, the Group's General Counsel and Secretary of the Audit Committee, Ulf Gradén, the Head of the Internal Control staff function and the head of Group Finance participate in the Audit Committee meetings, as does the company's auditor, when necessary.

In 2012, the Audit Committee held 5 (5) meetings. Its work mainly focused on:

- Accounting issues.
- Review of interim reports, year-end report and annual report.
- Establishment and follow-up of annual work plans for the Internal Control staff function.
- Review of continuous reporting from the Internal Control staff function relating to internal audits and the proactive work on the internal control environment.
- Follow-up of activities relating to the Group's corporate responsibility and risk management.
- Review of reports from the company's AGM-elected auditor, including the auditor's audit plan.

- Review of the plan for production of the Annual Report.

- Assisted in connection with preparation of proposals for AGM resolution concerning election of auditor.

**Finance Committee.** In 2012, the Finance Committee comprised Heléne Vibbleus Bergquist, who also chairs the Committee, Claes Lindqvist, Sören Mellstig and Anders Narvinger, who was succeeded by Bo Risberg during the year. The Group's CFO, Carolina Dybeck Happe, who was succeeded by Ulf Berghult on May 1, 2012, the Group's General Counsel and Secretary of the Finance Committee, Ulf Gradén, and the Head of Group Treasury participate in the meetings of the Finance Committee. In 2012, the Finance Committee held 5 (5) meetings. Its work mainly focused on:

- A review of financial reports from Group Treasury.
- Financing issues.
- Financial operations and policies.
- Financial risk management.

**Remuneration Committee** In 2012, the Remuneration Committee comprised Anders Narvinger, who also chairs the Committee, Claes Lindqvist and Hans Björck. Senior Vice President, Human Resources, Sören Andersson, also Secretary of the Remuneration Committee, participates in Committee meetings.

In 2012, the Remuneration Committee held 8 (5) meetings. Its work mainly focused on:

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

**Auditor** Trelleborg's auditor is the PricewaterhouseCoopers AB firm of authorized public accountants, including authorized public accountants Mikael Eriksson and Eric Salander. Mikael Eriksson is the Auditor in Charge. PricewaterhouseCoopers AB was elected by the 2012 Annual General Meeting for a period of one year.



**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: Midway, Readsoft, Meda, EcoLean, the Confederation of Swedish Enterprise.  
Born: 1955.



**ERIC SALANDER**  
**Authorized Public Accountant**

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

#### Auditor's remuneration 2012

SEK M	2012	2011
<b>PricewaterhouseCoopers</b>		
Audit assignment	27	28
Audit activities other than audit assignment	4	4
Tax consultancy services	5	6
Other services	10	5
<b>Other auditors</b>		
Audit assignment	1	1
Tax consultancy services	1	–
<b>Continuing operations</b>	<b>48</b>	<b>44</b>
Discontinued operations	–	6
<b>Trelleborg Group</b>	<b>48</b>	<b>50</b>

## The Board of Directors



Name	Anders Narvinger <sup>1)</sup>	Hans Björck	Claes Lindqvist	Sören Mellstig <sup>4)</sup>	Peter Nilsson	Bo Risberg
Position		Advisor to Skanska AB.	President of Henry Dunkers Förvaltnings AB.		President and CEO.	President and CEO of Hilti Corporation, Liechtenstein.
Qualifications	M.Sc. Eng., Faculty of Engineering, Lund University, and B.Sc. Business and Economics, Uppsala University.	Graduate in business administration.	Graduate in business administration and M.Sc. Eng.	Graduate in business administration.	M.Sc. Eng.	MBA and B.Sc. Eng.
Year elected	1999. Chairman of the Board since 2002.	2009.	2004.	2008.	2006.	2010.
Born	1948.	1951.	1950.	1951.	1966.	1956.
Nationality	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.
Other assignments	Chairman of Alfa Laval AB (publ), Coor Service Management AB, TeliaSonera (publ) and Capio AB. Board member of JM AB (publ), Pernod Ricard SA and ÅF AB.	Chairman of Crescit Asset Management AB, Board member of the Dunker Funds and Foundations, LKAB, Bure Equity AB and SF Bio AB.	Executive Director of Henry and Gerda Dunkers' Foundation and Foundation No. 2. Board member of Dunker Foundations, Svenska Handelsbanken South Region, Novotek AB (publ), among others.	Chairman of Apotek Hjärtat, Textilia, Ferrosan MD A/S.	Board member of Beijer Alma AB (publ), Trioplast Industrier AB, The Chamber of Commerce and Industry of Southern Sweden and The Association of Swedish Engineering Industries.	Deputy Chairman of of Grundfors Holding A/S. Board member of Poul due Jensen Foundation and member of the IMD Supervisory Board.
Dependence	No.	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, Dunker Funds and Foundations.	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, Dunker Funds and Foundations.	No.	Yes. Dependent in relation to the company as a result of his position as Trelleborg's President.	No.
Previous experience	A number of senior management positions in the ABB Group, including President and CEO of ABB Sweden and President of The Association of Swedish Engineering Industries.	CFO of Skanska AB, Autoliv Inc. and Esselte AB.	A variety of senior positions at ASEA and Åkerlund & Rausing as well as President and CEO of Högånäs AB and Öresundskraft AB.	President and CEO of Gambro and CFO and Vice President of Incentive.	Business Area President at Trelleborg and posts within the Trelleborg Group, as well as management consultant at BSI.	Various management positions at AT Kearney and with ABB in Sweden and Canada.
Own and related-party holdings 2012	30,404 shares.	5,000 shares.	30,404 shares.	115,809 shares.	90,572 shares.	9,011 shares.
Own and related-party holdings 2011	30,404 shares.	-	30,404 shares.	95,809 shares.	80,572 shares and 100,000 call options.	5,000 shares.
Audit Committee attendance	Member 2 of 5 <sup>2)</sup>	-	Member 5 of 5	Member 5 of 5	-	Member 3 of 5 <sup>2)</sup>
Finance Committee attendance	Member 2 of 5 <sup>2)</sup>	-	Member 5 of 5	Member 5 of 5	-	Member 4 of 5 <sup>2)</sup>
Remuneration Committee attendance	Chairman 5 of 5	Member 5 of 5	Member 5 of 5	-	-	-
Board meeting attendance	Chairman 8 of 8	Member 8 of 8	Member 8 of 8	Member 8 of 8	Member 8 of 8	Member 7 of 8 <sup>3)</sup>
<b>Remuneration 2012<sup>4)</sup></b>						
Board, SEK 000s	1,050	400	400	400	-	400
Committee, SEK 000s	50	50	150	100	-	100
<b>Total 2012, SEK 000s</b>	<b>1,100</b>	<b>450</b>	<b>550</b>	<b>500</b>	<b>-</b>	<b>500</b>
<b>Remuneration 2011<sup>4)</sup></b>						
Board, SEK 000s	1,050	400	400	400	-	400
Committee, SEK 000s	150	50	150	100	-	-
<b>Total 2011, SEK 000s</b>	<b>1,200</b>	<b>450</b>	<b>550</b>	<b>500</b>	<b>-</b>	<b>400</b>

1) Chairman of the Board, Anders Narvinger, will not be standing for reelection at the 2013 Annual General Meeting. The Nomination Committee resolved to propose that the Meeting elects the current Board member Sören Mellstig as new Chairman of the Board for the company. The Nomination Committee also resolved to propose that the 2013 Annual General Meeting elects Jan Carlson as a new Board member for the company.

2) In 2012, Anders Narvinger was succeeded by Bo Risberg in the Audit Committee and the Finance Committee.

3) Not present at meeting 5, 2012.

4) Remuneration paid to the Board of Directors for the period May 2012 - April 2013. 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 2012, remuneration was paid as per the table above. Remuneration is not paid to members of the Finance Committee. No consulting fees were paid to Board members. Remuneration is not paid to Board members who are also employed by the Group. Remuneration excludes travel allowances.

For additional information concerning remuneration, see Note 3, pages 79-80



Name	Nina Udnes Tronstad	Heléne Vibbleus Bergquist	Peter Larsson	Karin Linsjö	Mikael Nilsson	Birgitta Håkansson
Position	Senior Vice President Procurement Kvæner ASA.	Management Consultant.	Appointed by the Unions of the Trelleborg Group (PTK).	Appointed by the Unions of the Trelleborg Group (LO).	Industrial worker, appointed by the Unions of the Trelleborg Group (LO).	Salaried employee, appointed by the Unions of the Trelleborg Group (PTK).
Qualifications	M.Sc. Eng.	Graduate in business administration.	Engineer.	Elementary school and plant training.	Training in labor law, economics and personnel policy.	Secretarial studies, training in IT and accounting.
Year elected	2010.	2004.	2011.	2000.	2009.	2008.
Born	1959.	1958.	1965.	1954.	1967.	1950.
Nationality	Norwegian.	Swedish.	Swedish.	Swedish.	Swedish.	Swedish.
Other assignments	Board member of SalMar ASA, Norsk Industri Olje og Gass and Kværner Stord AS.	Board member of Nordic Growth Market NGM AB, Renewable Energy Corporation ASA, TradeDoubler AB (publ) and Tyréns AB. Board member and Deputy Chairman of SIDA.	Chairman of Unionen Trelleborg AB.		Chairman of Trelleborg Swedish Works Council (LO) and Chairman of Trelleborg European Works Council. Board member of Avdelning 52 Hus AB.	Vice Chairman of Unionen Trelleborg AB.
Dependence	No.	No.	–	–	–	–
Previous experience	Group Executive of Kvæner ASA, President of Kvæner Verdal AS, Group Executive of Statoil ASA and various management positions at Statoil in Norway, Sweden and Denmark.	Senior Vice President, Group Controller, AB Electrolux, Authorized Public Accountant, partner and member of the Board of PricewaterhouseCoopers in Sweden.				
Own and related-party holdings 2012	–	4,550 shares.	2,300 shares.	501 shares.	–	6,102 shares.
Own and related-party holdings 2011	–	4,550 shares.	1,800 shares.	501 shares.	–	1,602 shares.
Audit Committee attendance	–	Chairman 5 of 5	–	–	–	–
Finance Committee attendance	–	Chairman 5 of 5	–	–	–	–
Remuneration Committee attendance	–	–	–	–	–	–
Board meeting attendance	Member 7 of 8 <sup>5)</sup>	Member 7 of 8 <sup>6)</sup>	Employee representative (PTK). 8 of 8	Employee representative (LO). 8 of 8	Employee representative (LO). 8 of 8	Deputy employee representative (PTK). 8 of 8
<b>Remuneration 2012<sup>4)</sup></b>						
Board, SEK 000s	400	400	–	–	–	–
Committee, SEK 000s	–	150	–	–	–	–
<b>Total 2012, SEK 000s</b>	<b>400</b>	<b>550</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Remuneration 2011<sup>4)</sup></b>						
Board, SEK 000s	400	400	–	–	–	–
Committee, SEK 000s	–	150	–	–	–	–
<b>Total 2011, SEK 000s</b>	<b>400</b>	<b>550</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

4) Remuneration paid to the Board of Directors for the period May 2012 – April 2013. 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 2012, remuneration was paid as per the table above. Remuneration is not paid to members of the Finance Committee. No consulting fees were paid to Board members. Remuneration is not paid to Board members who are also employed by the Group. Remuneration excludes travel allowances.

5) Not present at meeting 8, 2012.

6) Not present at meeting 5, 2012.

For additional information concerning remuneration, see Note 3, pages 79-80



## Group Management



Name	Peter Nilsson	Ulf Berghult	Dario Porta	Mikael Fryklund	Fredrik Meuller	Claus Barsøe
<b>Position</b>	President and CEO Other assignments: Board member of Beijer Alma AB (publ), Trioplast Industrier AB, The Chamber of Commerce and Industry of Southern Sweden and The Association of Swedish Engineering Industries.	Chief Financial Officer (CFO).	Business Area President, Trelleborg Coated Systems.	Business Area President, Trelleborg Industrial Solutions.	Business Area President, Trelleborg Offshore & Construction.	Business Area President, Trelleborg Sealing Solutions.
<b>Qualifications</b>	M.Sc. Eng.	B.Sc.	M.Sc. Eng.	M.Sc. Eng., B.Sc.	B.Sc. in Finance	Graduate in business administration.
<b>Born</b>	1966.	1962.	1959.	1963.	1970.	1949.
<b>Nationality</b>	Swedish.	Swedish.	Italian.	Swedish.	Swedish.	Danish.
<b>Previous experience includes</b>	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 Trelleborg.	President of Reeves and Business Unit President at Trelleborg.	Business Unit President at Trelleborg and other management positions at Trelleborg and Bosch.	VP Strategic Development & Group Projects Trelleborg, Business Unit President at Trelleborg, McKinsey & Co., JP Morgan.	Market Director of Alfa Laval, various positions at Busak+Shamban and Polymer Sealing Solutions.
<b>Own and related-party holdings 2012</b>	90,572 shares.	15,000 shares.	–	7,000 shares.	–	–
<b>Own and related-party holdings 2011</b>	80,572 shares and 100,000 call options*.	–	–	7,000 shares.	–	25,000 call options*.
<b>Employed</b>	1995.	2012.	2006.	2002.	2002.	2003.
<b>In current position since</b>	2005.	2012.	2012.	2012.	2012.	2003.

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

## Remuneration of Group Management 2012

SEK 000s		① Annual variable salary	② Long-term program <sup>1)</sup>	③ Other benefits	Total	④ Pension	Total including pension	
President	2012	8,713 <sup>2)</sup>	5,408	3,907	170	18,198	3,384	21,582
	2011	8,447	4,711	3,900	172	17,230	3,254	20,484
Group Management, others (10 persons) <sup>3)</sup>	2012	31,863	12,923	9,362	974	55,122	10,681	65,803
	2011	30,061	10,595	9,751	688	51,095	12,490	63,585
<b>Total</b>	<b>2012</b>	<b>40,576</b>	<b>18,331</b>	<b>13,269</b>	<b>1,144</b>	<b>73,320</b>	<b>14,065</b>	<b>87,385</b>
Total	2011	38,508	15,306	13,651	860	68,325	15,744	84,069

1) Expensed 2012. 2) Of this amount, fixed salary represented SEK 8,320,000 with the remainder mainly consisting of a change in vacation pay liability. 3) Changes in Group Management took place in 2012 and, at the end of the year, Group Management comprised ten individuals in addition to the President.

## 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 will 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 2012, total remuneration of Group Management amounted to SEK 73,320,000 (68,325,000), excluding pension premiums, and SEK 87,385,000 (84,069,000), including pension premiums.



Name	Maurizio Vischi	Sören Andersson	Claes Jörwall	Ulf Gradén	Patrik Romberg
Position	Business Area President, Trelleborg Wheel Systems.	Senior Vice President, Human Resources.	Senior Vice President, Mergers & Acquisitions.	Senior Vice President, General Counsel and Secretary.	Senior Vice President, Corporate Communications.
Qualifications	MBA.	University studies in economics, sociology and education.	Graduate in business administration.	Master of Law. Reporting Clerk, Court of Appeal.	MBA and university studies in behavioral science and education.
Born	1955.	1956.	1953.	1954.	1966.
Nationality	Italian.	Swedish.	Swedish.	Swedish.	Swedish.
Previous experience includes	Various management positions at Pirelli.	Various HR posts at SCA.	Senior Vice President, Taxes and Group Structures, department manager at the Swedish National Tax Board.	Corporate Legal Counsel at Mölnlycke and General Counsel at PLM/Rexam.	Various posts at Unilever and the Trelleborg Group.
Own and related-party holdings 2012	–	6,080 shares	16,031 shares.	–	901 shares.
Own and related-party holdings 2011	–	6,080 shares and 10,000 call options*.	16,031 shares.	10,000 call options*.	901 shares.
Employed	1999.	1998.	1988.	2001.	2006.
In current position since	2001.	1998.	1988.	2001.	2011.

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

## 1 Annual variable salary

The annual variable salary is based on the achievement of predefined targets for a number of performance indicators. The 2012 targets pertained to the Group's profit before tax and the Group's operating cash flow, both excluding the effect of structural changes, as approved by the Board of Directors, and excluding the profit effect from Trelleborg-Vibracoustic. For the business areas, other operating key figures also served as targets for annual variable salary. Annual variable salary does not constitute pensionable income and does not form the basis of vacation pay. In 2012, the President's variable salary was a maximum of 65 percent of fixed salary. For other senior executives, variable salary was a maximum of 30-60 percent of fixed salary in 2012.

## 2 Long-term incentive program

Since 2005, the Board of Directors has annually resolved to introduce a long-term incentive program for the President and for certain senior executives 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 cash-based and constitute a supplement to the annual variable salaries, provided that the executive has not terminated his employment at the Trelleborg Group as per December 31 in the year in which the program ends.

### Purpose

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

### Target figures

The target value for the incentive programs is the Trelleborg Group's earnings per share, with an annual improvement of 10 percent, excluding items affecting comparability and the impact of any share buyback programs, and includes the costs for the programs. For the current programs, the Board has established a target of SEK 2.85 in earnings per share for 2010, a target of SEK 5.20 for 2011 and a target of SEK 6.02 for 2012, with the upper cap for payments for all programs set at 25 percent of the maximum annual variable salary per program per year.

### Outcome and payment

The result is calculated annually and accumulated over the three-year period and potential payments are made in the first quarter of the year after the program expires. For the program approved for 2009, payment was made in the first quarter of 2012, for the program approved for 2010, payment will be made in the first quarter of 2013, for the program approved for 2011, payment will be made in the first quarter of 2014 and for the program approved for 2012, payment will be made in the first quarter of 2015. The payments do not constitute pensionable income and do not form the basis of calculation of vacation pay. In 2012, earnings were charged with SEK 24,022,000 (26,798,000) and additional payroll expenses of SEK 5,823,000 (6,396,000).

### Other incentive programs

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

## 3 Other benefits

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

## 4 Pension

The pension agreement is a defined-contribution scheme. For the President and other senior executives, the premium can vary between 20 and 45 percent of the fixed salary, where this is legally possible. For the President, the premium is computed as 40 percent of the fixed salary. 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 as of that time. Some of the senior executives have agreements specifying mutual rights to request early retirement from the age of 60. In this case, compensation amounting to 60 percent of fixed annual salary is paid until the age of 65, after which the regular retirement pension payments become effective.

### Severance pay

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

For additional information concerning remuneration, see Note 3, pages 79-80

## Corporate Governance and Corporate Responsibility at the Trelleborg Group

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 Board of Directors, its elected committees and the President.

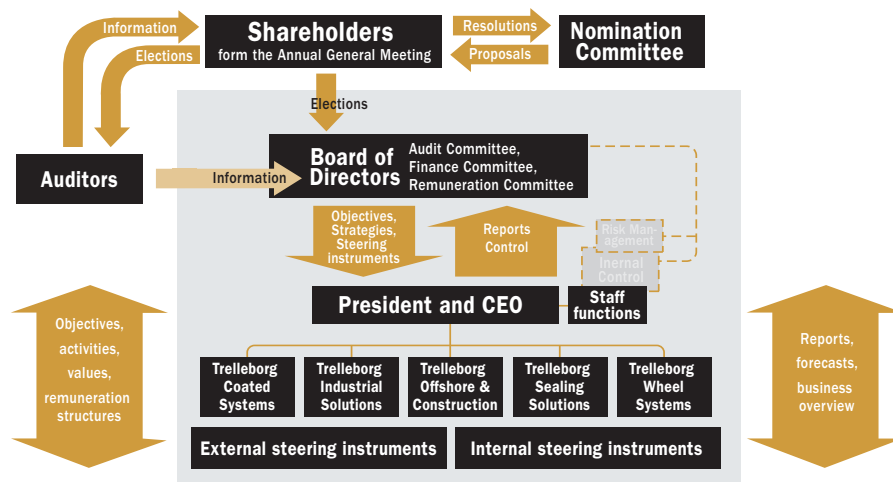
For information about Trelleborg's Corporate Governance in 2012, refer to pages 44-51 and 54-55.

**Annual General Meeting.** The Annual General Meeting is usually held in April. The Meeting adopts the Articles of Association and, at the Meeting, the shareholders appoint Board members, the Chairman of the Board and auditor, and makes decisions regarding their fees. In addition, the Annual General Meeting passes resolutions regarding the adoption of the income statement and the balance sheet, the allocation of the company's profit and the discharge from liability of the Board members and the President. The Annual General Meeting also makes resolutions regarding the appointment of the Nomination Committee and its work, and the principles for the remuneration and employment terms for the President and other senior executives.

**Composition of the Board.** In accordance with the articles of association, the Board of Directors shall consist of three to ten members, without deputies. Board members are elected annually by the Annual General Meeting for the period until the next Annual General Meeting.

**Responsibilities of the Chairman.** The Chairman is responsible for the work of the Board being well organized and conducted efficiently, and that the Board fulfills its obligations. The Chairman monitors operations in dialog with the President. He is responsible for ensuring that other Board members receive the information and documentation necessary to maintain a high level of quality in discussions and decisions, and for checking that the Board's decisions are executed.

**President and Group Management.** The President and CEO manages Trelleborg's day-to-day operations. The President is assisted by Group Management comprising managers for business areas and corporate functions. At the end of 2012, Group Management comprised 11 individuals. In 2012, Group Management held 5 meetings. These meetings focused on the Group's strategic and operational development and budget follow-up. As of year-end 2012, Trelleborg's operations are organized into five business areas. These consist of about 20 business units, comprising approximately 40 product areas.



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

**Internal steering instruments.** In addition to the Articles of Association adopted by the Annual General Meeting, the internally binding steering instruments include the Rules of Procedure for the Board of Directors of Trelleborg, Instructions for the Audit Committee established by the Board of Trelleborg, Instructions for the President of Trelleborg, Instructions for financial reporting to the Board of Trelleborg, Trelleborg's Code of Conduct and Trelleborg's Treasury Policy and Communication Policy. A complete list of the binding steering instruments can be found on Trelleborg's website.

In addition to these steering instruments, there are a number of policies and manuals that contain binding rules, as well as recommendations that provide principles and guidelines for the Group's operations and employees. These include Trelleborg's Values and the Finance Manual, as well as Trelleborg's Enterprise Risk Management process, ERM process, which identifies, evaluates and manages risk in the Group's companies, business areas, business units and processes, Trelleborg's Internal Control process and Trelleborg's Corporate Responsibility process, CR process. Employees can access complete versions of the Group's steering instruments on Trelleborg's intranet.

Trelleborg's Code of Conduct in the areas of the environment, health and safety and ethics applies to all employees, without

exception. The Code of Conduct is based on internationally recognized conventions and guidelines, such as UN Human Rights conventions, ILO conventions, OECD guidelines and the UN Global Compact. Trelleborg's whistleblower policy implies that each employee is entitled, without repercussions, to report suspicions of legal or regulatory violations. The process for submitting Whistleblower messages has gradually been improved to strengthen employees' integrity and safety, and enable use of their own languages, by telephone or the Internet.

The Code of Conduct provides a basis for the internal CR process, and training in the Code of Conduct is mandatory for all employees. The CR process is largely based on self-assessment and internal audits, such as Safety@Work (see page 32), strengthened by external audits in selected areas, such as ISO 14001 audits in the environmental area.

**CR organization and reporting.** Trelleborg's annual CR reporting complies with the Global Reporting Initiative (GRI) guidelines. Principles for the company's CR reporting are described in detail at [www.trelleborg.com/cr](http://www.trelleborg.com/cr). Both there, and in the annual report to the UN Global Compact, there is a complete index showing exactly how CR reporting complies with Global Reporting Initiative guidelines.

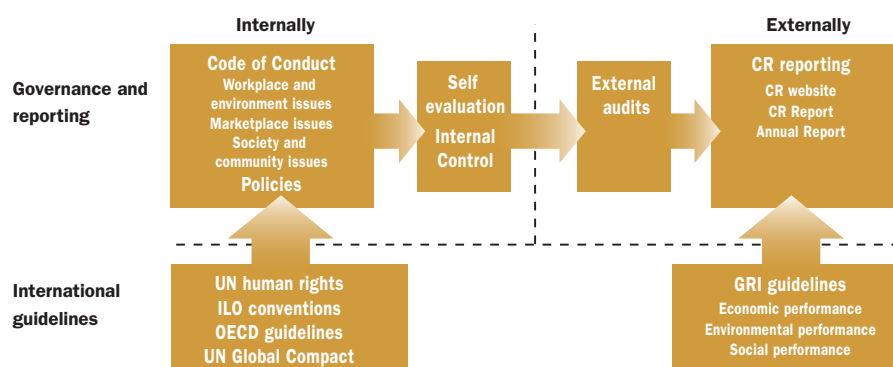
At Board level, the Audit Committee has been assigned to support and monitor the Group's work with CR issues.



For a detailed overview of Corporate Responsibility in the Trelleborg Group, visit [www.trelleborg.com/en/The-Group/Corporate-Governance/](http://www.trelleborg.com/en/The-Group/Corporate-Governance/)



## Trelleborg's CR process



CR reporting is managed by a group comprising representatives from the Group Corporate Communications, Legal Department, Environment, HR and Purchasing staff functions, and from the Manufacturing Excellence Program, coordinated by the Corporate Communications staff function. Direct responsibility for issues relating to the environment, and health and safety rests locally with each business unit. Each production plant has an environmental coordinator and a health and safety officer. The central Group function, Environment, a part of the Group Legal Department, is responsible for governance and coordination in environmental issues.

## Internal Control Process at Trelleborg

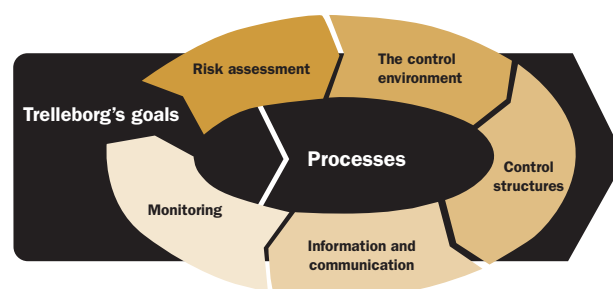
Trelleborg has defined internal control as a process that is influenced by the Board of Directors, the Audit Committee, the President, Group Management and other employees, and is formulated to provide reasonable assurance that Trelleborg's goals are achieved in terms of the following:

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

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

**Risk assessment** is conducted within the framework of Trelleborg's Enterprise Risk Management process, ERM process. This is described in greater detail under Risk and risk management on pages 38-43.

**The control environment** includes the values and ethics upon which the Board, the Audit Committee, the President and Group Management base their communication and actions, as well as the Group's organizational structure, leadership, decision channels, authorizations, responsibilities and the expertise of the employees. An overview of the Group's organization and governance, including external and internal steering instruments, which are important elements of Trelleborg's control environment, is outlined on Trelleborg's website. Corporate Governance and Corporate Responsibility in 2012 at the Trelleborg Group is described on pages 44-55. Key internal steering instruments are Trelleborg's Code of Conduct and Trelleborg's Values. The Code of Conduct comprises principles for how the business should be conducted, while Values is a long-term commitment that is linked to the business concept, objectives and strategies and guides employees in their day-to-day activities. Trelleborg is characterized by a decentralized organization,



based on management by objectives with clear targets and performance-based rewards.

**Control structures** relate to the controls that have been chosen to manage Group risks. Significant controls for Trelleborg are described in more detail on pages 38-43 under Risk and risk management, and on pages 54-55 with regard to the processes that are significant for financial reporting.

**Information and communication.** External information and communication include, for example, reporting to authorities and external financial reporting to owners and other stakeholders. Internal information and communication aims to create awareness among Group employees of external and internal governance instruments, including authority and responsibilities. Important tools for this include Trelleborg's intranet and training programs. A process exists whereby relevant employees affirm annually in writing that they are aware of, and comply with, the Group's internal steering instruments. Trelleborg's whistleblower policy entails that each employee is entitled, without repercussions, to report suspicions of legal or regulatory violations. Internal information and communication also pertains to the information generated by Trelleborg's Internal Control process being fed back to the Board, Audit Committee, President and Group Management as a basis for making well-founded decisions.

**Monitoring** aims to ensure efficiency in the process through a range of activities, such as the monitoring of operations in relation to set goals, self-assessments, internal audit and other monitoring activities.

# Report by the Board of Directors on internal control

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

## Internal Control over financial reporting.

The following description represents the Board of Directors' report on internal control over financial reporting. The report has been examined by the company's auditor.

Internal Control over 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.

**Risk assessment.** Trelleborg's risk assessment of financial reporting aims to identify and evaluate the most significant risks that affect internal control over financial reporting in the Group's companies, business areas and processes. The risk assessment results in control targets that ensure that the fundamental demands placed on external financial reporting are fulfilled and comprise the basis for how risks are to be managed through various control structures. The risk assessment is updated on an annual basis under the direction of the Internal Control staff function and the results are reported to the Audit Committee.

Risk assessment in relation to other areas is carried out within the framework of the Enterprise Risk Management process, which is described on pages 38-43.

**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 that defines the Board's responsibilities and regulates the internal distribution of work between itself and its committees. The Board has appointed an Audit Committee from within its ranks to represent

the Board in matters concerning the monitoring of the company's financial reporting and, in relation to the financial reporting, to monitor the efficiency of the company's internal control, internal audit and risk management. The Audit Committee shall also 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 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 on 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 in the Group's financial reporting by proactively concentrating on the internal control environment and by examining the effectiveness of internal control.

Internal governance instruments for financial reporting primarily comprise the Trelleborg's 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.

**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 that are shown in the diagram on page 55. The minimum requirement encompasses about 100 subsidiaries of which the largest approximately 45 companies shall apply both A and B levels in respect of minimum requirements for good internal control and the approximately 55 smaller companies only the A level.

The control structures in the accounting and reporting process, which are significant for the reliability of the financial reporting, contain 50 of the around 280 minimum requirements for good internal control.

## Information and Communication.

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

In the Group, there is a process by which all the relevant employees confirm awareness of and compliance with the Group's governance 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 governance instruments.

**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 Treasury and 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 the company's auditor. The Control 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 2012.** In 2012, the Internal Control Group staff function conducted 26 (37) internal audits in 12 (12) countries, of which 12 (9) were IT security audits. Focus was on Europe, India, Sri Lanka 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 and finance, or jointly with controllers from various business areas. Internal audits of IT security were carried out by the head of the IT Group staff function together with external consultants.

In 2012, the Internal Control staff

function worked on a broad front with reviews of all processes. A particular focus area for 2012 was the management of project accounting.

**Focus in 2013.** In 2013, the Internal Control staff function will continue to work broadly with the review of all processes and with a focus on project accounting in the relevant companies.

Geographically, the Internal Control staff function will focus more intently on high-growth markets, although about half of the internal audits will take place in Europe.

*Trelleborg, February 13, 2013  
Board of Directors of Trelleborg*

	Company 1	Company 2	Business area 1	Business area 2	Purchasing	Treasury	Etc.
	Self evaluation	Internal audits	Training/Tools				
Financial reports and reporting processes	<ul style="list-style-type: none"> <li>Group-wide reporting system with quarterly feedback from subsidiaries</li> <li>Companies respond to how they comply with the Group's minimum requirements for good internal control in selected processes</li> </ul>	<ul style="list-style-type: none"> <li>Internal audits are conducted by the Internal Control staff function in cooperation with internal resources from other staff functions and external consultants</li> </ul>	<ul style="list-style-type: none"> <li>Training programs in defined processes relating to minimum requirements for good internal control are carried out when necessary</li> </ul>				
Purchasing process	<ul style="list-style-type: none"> <li>Deficiencies are identified, measures are planned and implemented by the companies</li> </ul>	<ul style="list-style-type: none"> <li>Internal audits of IT security are carried out by the head of Group IT together with external consultants</li> </ul>	<ul style="list-style-type: none"> <li>The purpose of the training programs is to raise awareness and understanding of efficient processes and good internal control</li> </ul>				
Inventory process	<ul style="list-style-type: none"> <li>Encompasses approximately 100 subsidiaries, of which the largest approximately 45 companies shall apply both A and B levels in terms of minimum levels for good internal control and the approximately 55 smaller companies will only apply the B level</li> </ul>	<ul style="list-style-type: none"> <li>Comprises seven selected processes and about 280 minimum requirements for good internal control</li> </ul>	<ul style="list-style-type: none"> <li>Training programs are a forum for the exchange of experience and sharing best practice</li> </ul>				
Sales process	<ul style="list-style-type: none"> <li>Covers seven selected processes and about 280 minimum requirements for good internal control</li> </ul>	<ul style="list-style-type: none"> <li>Internal audits result in observations, recommendations and proposals for decisions and measures</li> </ul>	<ul style="list-style-type: none"> <li>Training programs in defined processes related to minimum requirements for good internal control are also held as an integrated part of the internal audits</li> </ul>				
Process for property, plant and equipment	<ul style="list-style-type: none"> <li>All relevant employees annually confirm in writing their knowledge of, and compliance with, the Group's internal governance instruments.</li> </ul>	<ul style="list-style-type: none"> <li>Identified deficiencies are followed up on a quarterly basis by business area controllers and the Internal Control staff function.</li> </ul>	<ul style="list-style-type: none"> <li>A section on the intranet section is available to provide employees access to standardized tools and documents, as well as examples of business solutions.</li> </ul>				
IT security process							
Salary management process, incl. pensions and other compensation							





# Corporate Responsibility

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13 percent higher energy efficiency. 15 percent longer life. 20 percent more stability. With models made for a vast number of work environments, Trelleborg Elite XP is leading the industrial tire evolution.



# Trelleborg – a positive force for sustainability



The reorientation in society in the direction of sustainability is one of the greatest challenges of our time, and I am pleased to be able to say that Trelleborg and our solutions are, and will continue to be, a positive force in this endeavor. Energy-conserving solutions, components in alternative energy, solutions for wind power and solar cells, and enhanced safety in the ever-more challenging extraction of oil & gas in deep-sea environments are but a few examples of areas in which we add value. The protection of infrastructure such as bridges, tunnels and important buildings represents another of these areas. The collective name we use for the way our solutions support the changeover to sustainability is Blue Dimension™.

This year, we have focused on a smaller selection of central CR performance indicators and the fulfillment of these. The Group has a new organization, but our CR ambitions are unchanged. I would like to emphasize how Trelleborg continues to prioritize improved processes within the framework of our Group-wide program, Manufacturing Excellence, including energy-savings and thus reducing our climate footprint. The responsible management of chemicals in compliance with the EU REACH legislation is another key issue for us.

Our well-established Safety@Work health and safety program continues to ensure that Trelleborg – wherever we are in the world – will be a safe and healthy workplace. Furthermore, we should all abide by a shared set of values and sound ethics. Internally, our Code of Conduct continues to be our most important guiding principle, but we also monitor compliance by suppliers with the Code's principles of responsibility. Moreover, we encourage both suppliers and partners to adopt the UN Global Compact's principles for responsible business practices.

As always, we welcome all viewpoints from all of our stakeholder groups on our CR work and the methods we use to report on the subject. The report on our CR activities following Global Reporting Initiative (GRI) guidelines is continuously evolving and, to reflect the point I made at the start of this column – namely, how sustainability has become an important part of our operation and business – we have highlighted key CR facts relating to our employees and processes in the introductory strategy section of the Annual Report. This is a step in the direction toward our version of a more integrated report.

Peter Nilsson, President and CEO

## Trelleborg and the Global Compact

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



## New Corporate Responsibility presentation in the 2012 Annual Report

As part of efforts to more clearly describe the manner in which Corporate Responsibility forms an integrated part of Trelleborg's overriding business strategy, the targets for Corporate Responsibility have been moved to the target overview on page 7. The CR report relating to responsibility for employees, the workplace and the environment can be found in the introductory section, Value-generating business development, on pages 32-36.

## External audit and GRI application levels

PricewaterhouseCoopers conducted a limited review of the entire report on Trelleborg's Corporate Responsibility activities in 2012, with a focus on the most significant CR issues. See the assurance report on page 101 or visit [www.trelleborg.com/cr](http://www.trelleborg.com/cr).

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

The figures given for 2012 are based on continuing operations. Due primarily to the inclusion of the antivibration operation of the former Trelleborg Automotive business area in TrelleborgVibracoustic since July 2012, historical comparative figures have been restated in the CR section.



# An active stakeholder dialog

Trelleborg's stakeholder communication is to be characterized by transparent relations, regular dialog, clarity and a high level of ethics.

The most important stakeholder groups are: *Customers, Suppliers and Partners, Shareholders and Investors, Employees and Society*. Representatives of these groups can regularly specify the sustainability aspects they consider most important for Trelleborg in a *materiality analysis*. Such surveys were conducted in 2007, 2009 and 2012 (see below).

**Channels for stakeholder dialog.** A key communication channel for all of Trelleborg's stakeholders is [www.trelleborg.com](http://www.trelleborg.com), with some 60 associated websites, as is the company's participation in social media, such as Facebook and YouTube, and the blogs *Marine Insights* and *Printing Insights*.

- **Customers:** Meetings between Trelleborg's representatives and customers. The Group's customer and stakeholder magazine T-Time.
- **Suppliers and Partners:** Supplier visits and supplier audits through surveys.
- **Shareholders and Investors:** Shareholder service (telephone and e-mail channels), Annual General Meetings, analysts' meetings, meetings with ethical investors.

- **Employees:** Internal communication channels, such as T-Talk (social intranet launched in 2012), E-Connect (digital newsletter) and Connect (internal magazine), internal courses, trade union cooperation and events.
- **Society:** Local Open House days, family and sponsorship activities, collaboration with universities and colleges.
- **Authorities:** Dialog with local regulatory authorities about specific issues. Trelleborg also works through trade organizations at national and European levels.

## Stakeholder meetings in 2012:

### Examples:

- Appearance at Nordic Council of Ministers' conference "CSR – a driver of innovation and competitiveness in the Nordic region" in Trondheim, Norway, on October 11, 2012, where Trelleborg was invited to serve as an example of a large Nordic company's commitment to sustainable products, and the conference "I Morgon Grön" (Tomorrow Green) in Stockholm, Sweden, on October 16, 2012 on the same theme.
- Participation in Nordic networking meetings within the scope of N-CSR

(Corporate Social Responsibility best practice) and the UN Global Compact Nordic Network.

- Participation in social innovation workshops on November 16-17, 2012, at Lund University, Sweden, with the aim of creating a platform for addressing social problems through partnerships between companies, entrepreneurs and trade associations.
- An internal week focused sustainable products and solutions, entitled "Blue Dimension Jam", was held between February 20 and 24, 2012. More than 100 proposals were received for how Trelleborg products and solutions contribute to a sustainable society.
- In October 2012, students in the Master's Program at the International Institute for Industrial Environmental Economics (IIIEE) in Lund, Sweden, once again reviewed Trelleborg's CR report – in workshop form – from the perspective of the stakeholder and presented large and small improvement suggestions.

## Stakeholders' view of Trelleborg's responsibility

During 2012, a new materiality analysis was performed to identify the aspects of Trelleborg's sustainability work that are considered to be the most important (Trelleborg previously carried out similar materiality analyses in 2007 and 2009). A selection of external and internal stakeholders assess the significance of some 20 relevant aspects, which were sourced mainly from Trelleborg's Code of Conduct, UN Global Compact principles, Global Reporting Initiative guidelines and the Dow Jones Sustainability Index.

The survey provides support for prioritization in CR reporting and for more in-depth stakeholder dialogs. The aspects that were assigned a high priority, both externally and internally, were a number of traditionally central issues for the industry, such as use of hazardous chemicals, energy use and emissions to air and water. Product aspects were also ranked highly, such as the environmental performance of products and product quality and safety. Furthermore, a high value was attached to open and honest communication as well as to corporate governance and transparency. Over time, communication, raw materials and community relations have shown the clearest rise in significance.

## Stakeholders' view of Trelleborg's corporate responsibility

Very Important	Consumption of raw materials Climate Strategy Corruption and Bribery Supplier practices Community relations	Consumption of energy Use of hazardous chemicals in manufacturing Emissions to air and water Environmental performance of products Product quality and safety Open and honest communication Corporate Governance and Transparency
	Waste recovery Labor/Management Relations Diversity and Non-discrimination Anti-competitive behavior Investment and divestment practices Risk & crisis management Public Policy and Lobbying	Occupational Health and Safety Training and Development Talent Attraction and Retention
Significance to External Stakeholders	Important	Very Important
	Significance to Company Internally	





# Responsibility for customers and suppliers

Trelleborg's responsibility along the value chain is based on good business ethics: monitoring suppliers, and ensuring the quality and safety of the solutions the Group's delivers. In addition to customer value, many of Trelleborg's products and solutions also have social benefits.

**Suppliers.** Trelleborg's objective is to work solely with suppliers who adopt its quality requirements and business principles. The evaluation of suppliers primarily takes place through Group-wide questionnaires containing questions relating to health and safety, environmental management and social responsibility.

Unsatisfactory responses will be investigated and underperforming suppliers are given a deadline for taking corrective measures. The target for the Group is for each unit to complete a CR evaluation of its suppliers at a level corresponding to 80 percent of the purchase value.

At year-end 2012, suppliers corresponding to about 79.5 percent (75) of the total purchase value had been reviewed.

In 2012, no (0) relations with suppliers were terminated for environmental or social reasons.

**Products.** A new designation, Blue Dimension™, describes the way Trelleborg's products and solutions – aside from the fundamental value their function offers customers – also contribute to society's journey toward sustainability, see examples on pages 30-31.

When developing new products, consideration is always given to legal and customer requirements, such as product liability, and environmental, health and safety aspects during the manufacturing and product use phases where relevant, see diagram. Trelleborg's Environmental Policy also states that the precautionary principle should be taken into account and that the company will, as far as possible, reduce and replace hazardous substances and materials in products and processes. This is in line with work

currently in progress in consultation with customers to replace particularly hazardous substances in existing product formulations in accordance with the EU REACH regulation (see also page 34).

Product development is usually conducted in close collaboration with the customer. Trelleborg provides product information in the form of labeling, safety data sheets, IMDS declarations and environmental declarations corresponding to the requirements set by each customer or market.

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

**Transportation.** More than 90 percent of Trelleborg's materials and finished products are transported by truck. The Group engages transport companies that can

handle freight in an effective and safe manner. The most significant environmental impact of transport activities is carbon dioxide emissions arising from the use of fossil fuels.

**Recycling.** In Trelleborg's production processes, a significant proportion of the rubber waste that is produced before the material has been vulcanized is recycled, while vulcanized rubber cannot be re-used as a raw material.

At a European level, the recycling of tires has made progress. About ten years ago, only half of all worn tires were collected and the majority went to landfill. Now, 95 percent of all worn tires in Europe are recycled either in the form of material or energy, according to the Swedish tire industry's jointly owned company, the Swedish Tyre Recycling Organisation (SDAB), where Trelleborg has a seat on the Board.



# Responsibility for society and the community

Trelleborg's ambition for its social involvement is to contribute to global development by supporting the local community in which it conducts operations.

**Community involvement.** Trelleborg participates in numerous community activities. At a local level, these involve cooperation with neighbors, interest groups, authorities and sports clubs. A special place has been reserved in Trelleborg's community involvement program for support to young people and their education and tutoring activities, for example, via collaboration with Save the Children (see below) and locally by way of the provision of support to handicapped children, scouts and preschools.

In the area of education, Trelleborg collaborates with several universities and schools, which requires regular contact with researchers and students. Trelleborg's collaborative partners include LUISS and Tor Vergata in Italy, Malta University in Malta and the International Institute for Industrial Environmental Economics (IIIEE) in Sweden.

Over the years, many research and degree projects have been carried out at Trelleborg's plants, specializing in such areas as the environment. Trelleborg also has a "learning partnership" with the Lund University School of Economics

and Management, Sweden, involving the sponsorship of two postgraduate appointments.

Trelleborg does not sponsor political or religious organizations. Trelleborg's sponsorship guidelines state that the company prioritizes sponsorship commitments that benefit society and the regions in which the Group operates. Sponsorship must support Trelleborg's values and strengthen the company's relationships with customers and other partners.

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

stakeholders and be founded on regular contact, clarity and good ethics.

Trelleborg's policy for employee participation in social media, based on the same fundamental values as other communication, contains regulations concerning ethical behavior for all employees representing the company in such channels as blogs and social networks.

**Created and distributed value.** Trelleborg's operations generate a financial value that is largely distributed among various stakeholders, such as suppliers of goods and services, employees, shareholders, banks and other creditors, and to society in the form of taxes. The figures below relate to continuing operations for both 2011 and 2012. In 2012, the Group generated SEK 21,727 M (21,174), of which SEK 19,850 M (19,402) was distributed among various groups of stakeholders, as shown in the diagram and specification below.

#### Distributed value 2012

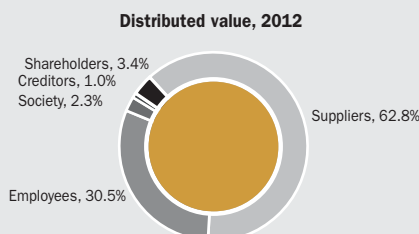
**Suppliers:** Payment for material and services, SEK 12,460 M (12,319), Note 8

**Employees:** Salaries and benefits, SEK 6,049 M (6,014), Note 8

**Shareholders:** Dividend paid in 2012, SEK 678 M (474). Long-term dividend policy: 30-50 percent of net profit for the year, page 4.

**Creditors:** Interest expenses SEK 203 M (195), Note 11.

**Society:** Taxes paid SEK 460 M (400), page 72.



**Trelleborg supports preschool in Sri Lanka.** Antonio Bianchi House, a preschool in Sri Lanka, is one example of Trelleborg's local community involvement. The school was inaugurated in September 2010 and is located close to Trelleborg's industrial tire and agricultural tire facility in Kelanyia, Sri Lanka. The school, which is operated in collaboration with Child Action Lanka, is for local children whose families would not normally be able to afford to send their children to such an establishment.



## Rädda Barnen

**Trelleborg and Save the Children.** Cooperation extending over several years with Save the Children comprises yearly support, and forms part of Trelleborg's ambition to assume greater global social responsibility by contributing to children's development and education.



## STAR FOR LIFE®

### Strengthens prospects of young people.

From 2013, Trelleborg is cooperating with Star for Life. The idea behind the initiative is to inspire young people to believe in their future and their dreams. The organization is non-profit and has no political or religious affiliation. The program is conducted in periods spanning three years in selected schools. The head coach and other staff train school personnel to continue the work once the program has been completed. Trelleborg's collaboration with Star for Life was initiated with a program in an upper secondary school in Colombo, Sri Lanka.

## ROSEN G>RD INVEST

### Trelleborg stimulates diversity in Swedish business.

Rosengård Invest, based in Malmö, is an investment company that was founded in 2009 by Trelleborg AB in partnership with E.ON, Swedbank and Scandinavian Cap AB. The company focuses on raising venture capital for entrepreneurs who do not have a Swedish background and invests in new and existing companies in the Swedish market.



At 37,000 feet, temperatures plunge to minus 30°C or less outside a plane's windows. Up here, a leak in the pressurized cabin could spell disaster. Trelleborg seals help the plane remain airtight.



# Financial information

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## Comments on the consolidated income statements

Given the generally weaker global economic climate, development of the Group's sales was satisfactory during the year. Organic growth for the full year was 1 percent (9), with high growth in key territories such as the U.S., China, the U.K. and Norway, while certain countries in Western Europe, including Italy, France, Germany and Sweden, exhibited a negative trend. During the year, the Group further enhanced its market positions and continued its work aimed at focusing operations and increasing its presence in selected profitable segments. 2012 marked the completion of the formation of the Trelleborg-Vibracoustic joint venture, which was of major strategic importance.

To obtain an even stronger focus on core businesses, the former Trelleborg Engineered Systems business area was split year-end 2012, into three new business areas, thus bringing the total number of business areas in Trelleborg to five: Trelleborg Coated Systems, Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg Sealing Solutions and Trelleborg Wheel Systems. Group items include central staff functions and two operations, the first of which is Group-wide and the second of which is in the build-up and integration phase.

Operating profit for the Trelleborg Coated Systems business area decreased compared with 2011, mainly due to lower sales, start-up and integration costs in Brazil and costs in the form of bad debt losses. Operating profit for the Trelleborg Industrial Solutions business area declined compared with 2011, predominantly due to lower volumes and an unfavorable product mix in certain market segments. The positive demand trend for project-related operations, resulting in higher volumes, contributed to raising operating profit in the Trelleborg Offshore & Construction business area. The Trelleborg Sealing Solutions and Trelleborg Wheel Systems business areas displayed improved efficiency and high capacity utilization, thereby positively impacting the earnings trend.

The Group continued to focus the operation in selected market segments and, consequently, a French light-vehicles components operation and a protective products operation were divested during the year.

Trelleborg and the German company Freudenberg formed the joint venture in antivibration solutions for light and heavy vehicles, TrelleborgVibracoustic.

### Net sales, continuing operations

In 2012, sales for the Group's continuing operations increased to SEK 21,262 M (21,043), up 1 percent. Organic growth was 1 percent. The effects of structural changes and exchange rates were marginal. Structural changes positively impacted net sales in an amount of approximately SEK 100 M, net. Exchange-rate effects resulting from the translation of foreign subsidiaries had a negative impact of about SEK 7 M on net sales. Excluding exchange-rate effects, sales in the first six months of the year were slightly higher than in the second half of the year. The organic sales trend in the business areas varied during the year, with Trelleborg Offshore & Construction and Trelleborg Wheel Systems showing positive growth, while the trend for the other three business areas was negative.

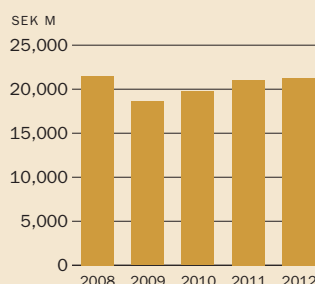
The market conditions between the Group's market segments varied over the course of the year. Demand in the offshore oil & gas, infrastructure and aerospace segments was higher than in 2011. Demand in the agricultural sector was strong, especially in the first six months of the year, but slowed during the second half of the year. Demand in general industry, transportation equipment and light vehicles was in line with or slightly lower than the preceding year.

The Group's market positions were generally maintained or improved.

For Trelleborg Coated Systems, organic sales declined by 5 percent compared with 2011. The segment for printing blankets was negatively impacted by generally weak demand in Europe and the bankruptcy of a major printing press manufacturer, which brought forward the need for a partially modified distribution model. The underlying demand trend for printing blankets was generally weak in Europe and North America. However, demand for printing blanket applications for packaging continued to grow. The underlying demand trend in Asia remained largely positive for all printing blanket applications. Sales for the coated fabrics sub-segment increased, primarily as a result of a positive trend in the U.S.

The Trelleborg Industrial Solutions business area conducts operations in a broad range of market segments. Sales in construction-related operations and general industry, excluding marine

Net sales



### Net sales by business area

SEK M	2012	2011	Organic growth, %	Structural changes, %	Exchange-rate fluctuations, %	Total change, %
Trelleborg Coated Systems	1,738	1,810	-5%		1%	-4%
Trelleborg Industrial Solutions	4,502	4,612	-2%	1%	-1%	-2%
Trelleborg Offshore & Construction	3,718	3,199	14%	0%	2%	16%
Trelleborg Sealing Solutions	7,215	7,288	-2%	1%	0%	-1%
Trelleborg Wheel Systems	3,865	3,863	3%	-1%	-2%	0%
Group items	1,002	1,300				
Eliminations	-778	-1,029				
<b>Continuing operations</b>	<b>21,262</b>	<b>21,043</b>	<b>1%</b>	<b>0%</b>	<b>0%</b>	<b>1%</b>

## Consolidated income statements

SEK M	Note	2012	2011
<b>Continuing operations:</b>			
<b>Net sales</b>	2	21,262	21,043
Cost of goods sold		-14,395	-14,225
<b>Gross profit</b>		<b>6,867</b>	<b>6,818</b>
Selling expenses		-2,028	-2,025
Administrative expenses		-2,336	-2,400
R&D costs		-309	-273
Other operating income	6	253	150
Other operating expenses	6	-108	-39
Participations in TrelleborgVibracoustic	7	109	-
Share of profit or loss in other associated companies	7	3	0
Items affecting comparability	5	11	-138
<b>Operating profit</b>	3,4,8,9,10	<b>2,462</b>	<b>2,093</b>
Financial income	11	49	31
Financial expenses	11	-203	-195
<b>Profit before tax</b>		<b>2,308</b>	<b>1,929</b>
Tax		-488	-596
Tax attributable to TrelleborgVibracoustic		-32	-
<b>Total tax</b>	12	<b>-520</b>	<b>-596</b>
<b>Net profit</b>		<b>1,788</b>	<b>1,333</b>
<b>Discontinued operations:</b>			
	25		
<b>Net sales</b>		<b>3,975</b>	<b>8,107</b>
<b>Operating profit</b>		<b>353</b>	<b>596</b>
<b>Profit before tax</b>		<b>318</b>	<b>551</b>
<b>Net profit</b>		<b>269</b>	<b>505</b>
<b>Group:</b>			
<b>Total net sales</b>		<b>25,237</b>	<b>29,150</b>
<b>Total operating profit</b>		<b>2,815</b>	<b>2,689</b>
<b>Total profit before tax</b>		<b>2,626</b>	<b>2,480</b>
<b>Total net profit</b>		<b>2,057</b>	<b>1,838</b>
<i>Attributable to:</i>			
- shareholders of the Parent Company		2,042	1,819
- non-controlling interests	13	15	19
<b>Earnings per share, SEK</b>			
<i>Continuing operations:</i>			
Earnings		6.55	4.90
Diluted earnings		6.55	4.90
Earnings, excluding items affecting comparability <sup>1)</sup>		6.30	5.25
<i>Total:</i>			
Earnings		7.55	6.70
Diluted earnings		7.55	6.70
Dividend <sup>2)</sup>		3.00	2.50
<b>Number of shares</b>			
Average		271,071,783	271,071,783
Average, after dilution		271,071,783	271,071,783
<sup>1)</sup> Net earnings have been adjusted for items affecting comparability, SEK M		67	-103

<sup>2)</sup> As proposed by the Board of Directors and the President

## Statements of comprehensive income

SEK M	2012	2011
<b>Total profit after tax</b>	<b>2,057</b>	<b>1,838</b>
<b>Other comprehensive income</b>		
Cash-flow hedges	10	-74
Hedging of net investment <sup>3)</sup>	536	-72
Translation differences <sup>3)</sup>	-972	15
Income tax relating to components of other comprehensive income <sup>3)</sup>	-142	46
<b>Other comprehensive income, net of tax</b>	<b>-568</b>	<b>-85</b>
<b>Total comprehensive income</b>	<b>1,489</b>	<b>1,753</b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Parent Company	1,474	1,733
Non-controlling interests	15	20

<sup>3)</sup> Of which discontinued operations, translation differences totaling an expense of SEK 59 M and income tax of SEK 19 M included in the period.

hoses for handling oil & gas, declined as a result of a general climate of uncertainty and volatility. For transportation equipment, sales were higher than in 2011. Overall, organic sales declined in the business area by approximately 2 percent.

Sales increased in all market segments of the Trelleborg Offshore & Construction business area in 2012. The underlying demand for project-related operations generally displayed a healthy development. Organic sales rose by 14 percent compared with the preceding year.

Trelleborg Sealing Solutions successfully maintained its sales despite a slump in its largest market segment general industry. Organic sales for the business area as a whole declined by 2 percent. Sales in general industry and light vehicles declined while sales in aerospace were higher than in 2011. The development in the European market tracked the general downward trend, while the overall trend in the U.S. was positive.

Organic growth for the Trelleborg Wheel Systems business area was 3 percent. The agricultural segment noted a positive trend for the full year. Demand was particularly strong in the first six months of 2012, while the second half of the year, and particularly the last quarter, was affected by a reduction in production rates of several tractor OEMs. The business area continued to improve its market positions in the extra-large agricultural tire segment. For transportation, which includes tires for materials handling vehicles, the trend was slightly negative in Europe but remained stable in North America.

Sales reported under Group items largely relate to the Group's joint compound mixing units.

#### Consolidated net sales amounted to:

	2012	2011
Continuing operations, SEK M	21,262	21,043
Discontinued operations, SEK M	3,975	8,107
<b>Total</b>	<b>25,237</b>	<b>29,150</b>

#### Net sales, Group

Consolidated net sales in 2012 amounted to SEK 25,237 M (29,150). In 2011, net sales in now discontinued operations were consolidated throughout the year and totaled SEK 8,107 M. These units, primarily Trelleborg Automotive, were only included as parts of the Group for the first six months of 2012. Sales in 2012 for the discontinued units amounted to SEK 3,975 M.

#### Net sales per market

The organic sales trend in 2012 in Western Europe was negative 4 percent. There was considerable variation among the countries, with Germany, France, Sweden and Italy noting a negative trend, while the U.K. and Norway recorded a positive sales trend. North America experienced robust organic growth of 15 percent. Sales to countries in Asia noted an overall organic increase of about 2 percent. Organic sales in China and Australia rose by 6 percent and 5 percent, respectively.

Western Europe remains the most important market for Trelleborg, accounting for a 56-percent share of sales. Rest of Europe accounted for a 5-percent share, North America for 20 percent and South and Central America for 3 percent, while the combined share for the markets in Asia and the rest of the world was 16 percent.

The Group continued to focus the operation on prioritized markets and selected segments.

#### Net sales per geographic market

SEK M	2012	2011
Western Europe	11,821	12,339
North America	4,223	3,525
Rest of World	5,218	5,179
<b>Continuing operations</b>	<b>21,262</b>	<b>21,043</b>
Discontinued operations	3,975	8,107
<b>Trelleborg Group</b>	<b>25,237</b>	<b>29,150</b>

Continuing operations	Organic growth 2012, %	Share of total sales, %
Western Europe	-4	56
North America	15	20
Rest of World	1	24
<b>Total</b>	<b>1</b>	<b>100</b>

#### Investments in high-growth markets

During the year, the Trelleborg Coated Systems business area acquired a printing blanket operation with production facilities in Brazil and a presence in Latin America and the U.S. The acquisition strengthens Trelleborg's leading position in the printing blankets area, or polymer-coated fabrics for offset printing. The acquisition should be viewed as a complement to the facility established in Brazil in 2011.

A newly built facility in Macaé, Brazil, was inaugurated during the year. The facility will develop, manufacture and supply high-performance polymer and syntactic foam-based solutions for the offshore industry, such as various buoyancy products. The new facility, which is part of the Trelleborg Offshore & Construction business area, features the world's largest hydrostatic pressure testing vessel for products to be deployed in deep-sea environments.

Two operations included in the Trelleborg Industrial Solutions business area were inaugurated in 2012 in India, co-located to one facility in Bengaluru. The facility will develop and produce industrial antivibration systems and specialty molded components for various industrial segments. Industrial antivibration systems are used for vibration damping in, for example, rail, off-highway equipment and other industrial segments. Specialty molded components, molded polymer materials, are found in a range of industrial applications and in such industries as telecommunications, energy and general industry. The operations will provide Trelleborg's existing international customers with local support and deliveries to their facilities in India, in addition to offering deliveries and support to local Indian manufacturers.

Trelleborg Sealing Solutions inaugurated a facility in Bengaluru, India, to develop, manufacture and supply high-performance sealing solutions for aircrafts, off-highway equipment, trucks, passenger cars and a range of industrial applications. The investment is part of Trelleborg's continued long-term strategy to invest in markets with favorable growth potential. Using proven leading-edge development and manufacturing processes, the site will focus on a broad range of advanced sealing solutions. The facility will serve the needs of Trelleborg's existing international customers by providing local support and supply to their Indian plants, as well as to local manufacturers.

Trelleborg Wheel Systems inaugurated a manufacturing facility in Xingtai, in eastern China, that was acquired in 2011. The site



will manufacture high-performance specialty tires, primarily for the agricultural sector. The investment is part of Trelleborg's continued long-term strategy to expand in markets with favorable growth potential. Using proven leading-edge manufacturing processes, the facility produces both radial and bias technology tires for farming, forestry and agro-industrial applications. The facility will serve the needs of Trelleborg's existing international customers by providing local support and supply to their Chinese facilities, as well as to local manufacturers.

At the end of 2012, a market-leading U.S.-based company was acquired specializing in solid industrial tires for vehicles such as forklifts, with production facilities in the U.S. and Xingtai, China. The facility in China is adjacent to the operation that Trelleborg acquired in 2011. The transaction broadens Trelleborg's product portfolio in the industrial tire segment, and further strengthens its position as a globally leading supplier of solid industrial tires.

### TrelleborgVibracoustic

During the year, Trelleborg and the German company Freudenberg completed the formation of the joint venture in antivibration solutions for light and heavy vehicles, TrelleborgVibracoustic. The joint venture consists of Trelleborg's former antivibration operation in the Trelleborg Automotive business area and Freudenberg's corresponding activities, Vibracoustic. The company, which was formed on July 3, 2012, is a global market leader in antivibration solutions for the automotive industry with a market share of 15 percent. The company offers the market's most comprehensive global footprint, with 32 production units and six standalone development sites spread across 18 countries. Annual sales in 2012 (pro forma) amounted to approximately SEK 14 billion.

The company has a stable foundation comprising a good combination of operations that complement each other in terms of geographic coverage, product portfolios and customers.

The Trelleborg Group reports the company as an associated company in its financial statements and it is recognized in line with the equity method.

Refer to page 20 for further information.

### Operating profit continuing operations, excluding items affecting comparability and participations in TrelleborgVibracoustic

Consolidated operating profit excluding items affecting comparability and participations in TrelleborgVibracoustic amounted to SEK 2,342 m (2,231), up 5 percent. The increase in operating profit is mainly the result of a relatively stable sales trend, continued favorable efficiency and control of expenditure. Exchange-rate effects upon the translation of foreign subsidiaries had a positive impact on the result for the first six months of the year and a negative impact in the second half of the year, with the full-year effect being neutral.

Work aimed at focusing the Group on profitable and rapidly growing segments continued during the year and Trelleborg is continuing to further consolidate its presence in expanding geographic markets. These activities gave rise to start-up costs, which were charged to earnings for the year. During the year, the Group continued to adapt its production to the prevailing economic climate, and this had a certain negative effect on earnings, at the same time as inventory levels continued to decrease.

The operating margin amounted to 11.0 percent (10.6). Generally in the Group, implemented and ongoing action programs continued to generate positive effects in the form of more efficient struc-

tures and lower costs. Raw-material prices were relatively stable during the year. The Group continues to optimize its purchasing processes and thereby ensure efficient management.

Operating profit and the operating margin declined in the Trelleborg Coated Systems business area year-on-year mainly due to lower sales, start-up and integration costs in Brazil and costs in the form of bad debt losses.

Operating profit for the Trelleborg Industrial Solutions business area declined compared with 2011 as a result of lower volumes and an unfavorable product mix in certain market segments.

For Trelleborg Offshore & Construction, operating profit rose compared with 2011, mainly due to volume increases, an enhanced product mix and implemented action programs. Start-up costs for new units negatively impacted earnings.

Trelleborg Sealing Solutions improved its operating profit year-on-year as a consequence of enhanced efficiency and favorable capacity utilization. The healthy level of profitability was maintained and the operating margin rose to 20.9 percent (20.5).

Trelleborg Wheel Systems also recorded an earnings improvement compared with 2011. Operating profit rose as a result of high efficiency and high capacity utilization.

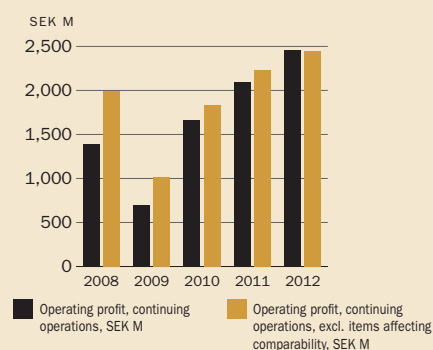
### Operating profit

SEK M	2012	2011
Trelleborg Coated Systems	177	227
Trelleborg Industrial Solutions	328	387
Trelleborg Offshore & Construction	221	113
Trelleborg Sealing Solutions	1,513	1,495
Trelleborg Wheel Systems	449	401
Group items	-346	-392
<b>Total</b>	<b>2,342</b>	<b>2,231</b>

### TrelleborgVibracoustic

Participations in TrelleborgVibracoustic are included in operating profit in line with the equity method in the amount of SEK 109 m before tax (-). TrelleborgVibracoustic's operating profit for the July-December 2012 period, excluding items affecting comparability and net interest income, was SEK 377 m, of which Trelleborg's share was SEK 188 m. For the comparable part of Trelleborg that is now included in TrelleborgVibracoustic, operating profit amounted to SEK 198 m in the corresponding period in the preceding year.

Pro forma estimates of full-year values for operating profit and operating margin show that the outcome for 2012 was lower than



in the preceding year. Positive effects of higher volumes were offset by costs in conjunction with the formation of the new company, start-up costs in Mexico and China, a high level of product development activity and exchange-rate effects.

#### TrelleborgVibracoustic, statement of participations in the associated company by the Trelleborg Group

SEK M	Jul - Dec 2012
Operating profit, excl. items affecting comparability	377
Acquisition-related costs	-37
Amortization of intangible assets <sup>1)</sup>	-44
Restructuring costs	-32
Operating profit, incl. items affecting comparability	264
Profit before tax	217
Trelleborg's participation	109
Tax	-64
Trelleborg's participation	-32
Net profit	153
Trelleborg's participation	77

<sup>1)</sup> Linked to the purchase price allocation.

#### Items affecting comparability

Work relating to restructuring measures continued in the Group and related costs were charged to consolidated operating profit in the amount of SEK 192 M (138). The sale of a property in Södra Hammarbyhamnen, Sweden, generating income of SEK 203 M was also reported as an item affecting comparability. The combined impact of items affecting comparability in operating profit was SEK 11 M (expense: 138).

#### Costs for action programs

SEK M	2012	2011
Continuing operations		
Trelleborg Coated Systems	0	6
Trelleborg Industrial Solutions	-71	-31
Trelleborg Offshore & Construction	-67	-62
Trelleborg Sealing Solutions	-26	-20
Trelleborg Wheel Systems	-	0
Group items	-28	-31
<b>Total before tax</b>	<b>-192</b>	<b>-138</b>
<b>Total after tax</b>	<b>-135</b>	<b>-101</b>

#### Items affecting comparability had a positive net effect of SEK 11 M on operating profit, specified as follows:

SEK M	2012	2011
Cost of goods sold	-65	-77
Selling expenses	-12	-13
Administrative expenses	-32	-18
R&D costs	-1	-1
Other operating income	203	6
Other operating expenses	-82	-35
<b>Continuing operations</b>	<b>11</b>	<b>-138</b>

#### Operating profit, discontinued operations

The following items are reported under discontinued operations: French light-vehicle component operation (March 2012), protective products operations (May 2012) and Trelleborg's former antivibration operation in the Trelleborg Automotive business area which, following the formation of TrelleborgVibracoustic, is included in the joint venture (July 2012). Operating profit for discontinued operations in 2012 amounted to SEK 353 M (596), of which Trelleborg Automotive accounted for SEK 189 M (243).

#### Earnings

SEK M	2012	2011
Operating profit, excluding items affecting comparability and participations in TrelleborgVibracoustic	2,342	2,231
Operating margin (ROS), %	11.0	10.6
Items affecting comparability	11	-138
Participations in TrelleborgVibracoustic	109	-
Operating profit	2,462	2,093
Operating margin (ROS), %	11.6	9.9

#### Consolidated earnings

Consolidated operating profit amounted to SEK 2,815 M (2,689). Exchange-rate effects upon the translation of foreign subsidiaries only had a marginal impact on operating profit of approximately SEK 4 M compared with the preceding year (expense: 169). The Group's financial income and expenses amounted to a net expense of SEK 189 M (expense: 209), corresponding to a rate of interest of 3.0 percent (3.1). Profit before tax totaled SEK 2,626 M (2,480). The tax expense for the year was SEK 569 M (expense: 642), corresponding to a tax rate of 22 percent (26). The lower rate of tax was mainly attributable to advantageous divestments of assets from a taxation point of view and the effects of a reduction in the Swedish corporate tax rate. Net profit was SEK 2,057 M (1,838) and earnings per share were SEK 7.55 (6.70).

#### Consolidated earnings

SEK M	2012	2011
Net sales	25,237	29,150
Operating profit	2,815	2,689
Profit before tax	2,626	2,480
Net profit	2,057	1,838

**Income statement per quarter****Continuing operations, excluding items affecting comparability and participations in TrelleborgVibracoustic**

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2012	2011	2012	2011	2012	2011	2012	2011
Net sales	5,723	5,260	5,612	5,492	4,961	5,187	4,966	5,104
Operating profit	666	569	702	674	528	612	446	376

**Group, total**

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2012	2011	2012	2011	2012	2011	2012	2011
Net sales	7,773	7,270	7,533	7,583	4,965	7,191	4,966	7,106
Operating profit	744	905	1,115	704	591	621	365	459
Profit before tax	689	862	1,056	655	552	567	329	396
Net profit	501	685	901	467	398	420	257	266

**Competition investigations into subsidiaries**

Trelleborg's subsidiaries in France and the U.S., have in recent years, been the subject of investigations conducted by the competition authorities in the U.S., the EU, Brazil and Australia, among others, regarding certain types of marine oil hoses and marine fenders. None of these investigations are currently ongoing. The decision announced by the European Commission in 2009 was appealed by Trelleborg in the same year. Trelleborg continues to await the European Court of Justice's decision. Future developments with respect to this issue continue to be associated with an element of uncertainty related to the length and outcome of ongoing processes.

**Events after the closing date****Acquisition of marine docking and mooring solutions operation.**

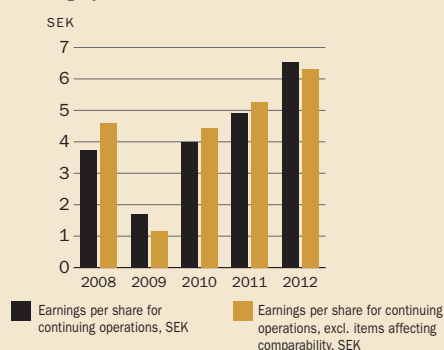
Trelleborg Offshore & Construction has signed an agreement for and finalized the acquisition of Sea Systems Technology Ltd (SeaTechnik), a market-leading company predominantly specialized in the development of software and manufacture of emergency shutdown systems and other communications systems used when carriers transporting liquefied natural gas (LNG) berth at terminals. Annual sales for 2012 are estimated to amount to approximately SEK 55 M. The acquisition broadens Trelleborg's product portfolio of berthing, docking and mooring solutions for harbors and ships.

**Acquisition of industrial tire distributor.**

Trelleborg Wheel Systems has signed an agreement for and finalized the acquisition of the industrial tire operation from the Dutch company Industriebanden Beheer B.V. The operation specializes in the distribution and service of industrial tires, such as those fitted on forklifts. The acquisition strengthens and enlarges Trelleborg's European industrial tire distribution network.

**Market outlook for the first quarter of 2013.**

Demand is expected to be on a par with the fourth quarter of 2012, adjusted for seasonal variations.

**Earnings per share**



## Comments on the consolidated balance sheets

The Group's total capital employed decreased marginally to SEK 19,464 M (19,574). On account of the formation of Trelleborg-Vibracoustic, items that were consolidated in working capital and non-current assets in 2012 were transferred to the participation in TrelleborgVibracoustic.

### Capital employed is specified as follows:

SEK M	2012	2011
Inventories	3,275	3,453
Operating receivables	4,084	3,579
Operating liabilities	-4,495	-4,278
<b>Total working capital, continuing operations</b>	<b>2,864</b>	<b>2,754</b>
Non-current assets	13,733	13,805
Participations in associated companies	2,867	3
<b>Capital employed, continuing operations</b>	<b>19,464</b>	<b>16,562</b>
Discontinued operations	-	3,012
<b>Capital employed in the Trelleborg Group</b>	<b>19,464</b>	<b>19,574</b>

Capital employed for continuing operations rose to SEK 19,464 M (16,562), representing an increase of SEK 2,902 M attributable to:

SEK M	2012
Company acquisitions	751
Change in working capital	-142
Change in non-current assets	158
Formation of TrelleborgVibracoustic	2,782
Change in participations in associated companies	80
Exchange-rate effects upon translation of foreign subsidiaries	-727
<b>Total change in capital employed</b>	<b>2,902</b>

Acquired operations accounted for an increase in capital employed of SEK 751 M, of which SEK 367 M pertained to property, plant and equipment and intangible assets. The acquisition at the end of the year of a specialist industrial tire company increased consolidated capital employed by SEK 472 M. Working capital tied up in continuing operations decreased by SEK 142 M during the year, due to a combination of lower inventory levels and generally favorable manage-

ment of working capital. The formation of the TrelleborgVibracoustic joint venture resulted in an increase of SEK 2,782 M in capital employed for continuing operations. Exchange-rate effects decreased capital employed in continuing operations by slightly more than SEK 700 M. Gross capital expenditure in continuing operations for the year totaled SEK 910 M (813), of which property, plant and equipment accounted for 90 percent and intangible assets for the remainder.

Depreciation and amortization in continuing operations for the year amounted to SEK 676 M (645). Impairment losses for continuing operations, net after reversals, totaled SEK 22 M (4).

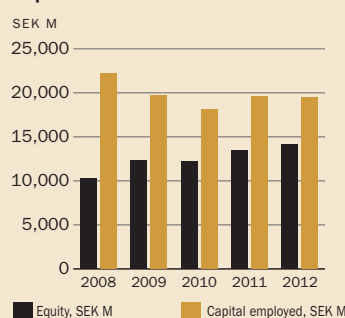
Return on capital employed was 13.7 percent (13.6) for continuing operations excluding items affecting comparability. The improved earnings generation and continued favorable efficiency of the management of working capital had a positive impact on return.

### Shareholders' equity

Total shareholders' equity increased during the year by SEK 665 M to SEK 14,169 M (13,504). Translation differences reduced total equity by a net amount of SEK 576 M, including exchange-rate differences (net after tax) on hedging instruments.

Total dividends amounted to SEK 683 M (477), of which SEK 5 M (3) was distributed to non-controlling interests.

### Capital structure



### Trelleborg Group, change in total equity

Total equity	Attributable to shareholders of the Parent Company								Non-controlling interests		Total	
	Share capital		Other capital contributions		Other reserves		Profit brought forward		2012	2011	2012	2011
SEK M	2012	2011	2012	2011	2012	2011	2012	2011				
Opening balance, January 1	2,620	2,620	226	226	-646	-562	11,138	9,795	166	117	13,504	12,196
Total comprehensive income					-568	-84	2,042	1,817	15	20	1,489	1,753
Dividend							-678	-474	-5	-3	-683	-477
Acquisitions									-14	32	-14	32
Divested operations									-127	-	-127	-
<b>Closing balance, December 31</b>	<b>2,620</b>	<b>2,620</b>	<b>226</b>	<b>226</b>	<b>-1,214</b>	<b>-646</b>	<b>12,502</b>	<b>11,138</b>	<b>35</b>	<b>166</b>	<b>14,169</b>	<b>13,504</b>

For other reserves, refer to Note 26.

The Board of Directors and the President propose a dividend of SEK 3.00 per share (2.50), a total of SEK 813 M (678).

## Consolidated balance sheets

December 31, SEK M	Note	2012	2011
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	14	4,909	5,958
Goodwill	15	8,329	9,874
Other intangible assets	15	495	583
Participations in associated companies	7	2,867	54
Financial assets	16-17, 29	342	299
Deferred tax assets	18	710	931
<b>Total non-current assets</b>		<b>17,652</b>	<b>17,699</b>
<i>Current assets</i>			
Inventories	19	3,275	4,001
Current operating receivables	20-21	3,992	5,516
Current tax assets		428	509
Interest-bearing receivables	22	1,143	213
Cash and cash equivalents	24	660	753
<b>Total current assets</b>		<b>9,498</b>	<b>10,992</b>
<b>TOTAL ASSETS</b>		<b>27,150</b>	<b>28,691</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Shareholders' equity</i>			
Share capital	26	2,620	2,620
Contributions of other capital		226	226
Other reserves		-1,214	-646
Profit brought forward		10,460	9,319
Net profit for the year		2,042	1,819
<b>Total</b>		<b>14,134</b>	<b>13,338</b>
Non-controlling interests	13	35	166
<b>Total equity</b>		<b>14,169</b>	<b>13,504</b>
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	27	4,942	5,452
Other non-current liabilities	30	155	163
Pension provisions	31	369	583
Other provisions	32	82	92
Deferred tax liabilities	18	282	287
<b>Total non-current liabilities</b>		<b>5,830</b>	<b>6,577</b>
<i>Current liabilities</i>			
Interest-bearing current liabilities	27	2,433	2,171
Current tax liability		625	630
Other current liabilities	30,33	3,753	5,475
Other provisions	32	340	334
<b>Total current liabilities</b>		<b>7,151</b>	<b>8,610</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27,150</b>	<b>28,691</b>
Contingent liabilities	34	51	6
Pledged assets	34	0	33

## Net debt

SEK M	2012	2011
Non-current interest-bearing investments and receivables	212	232
Current interest-bearing receivables	1,143	213
Cash and cash equivalents	660	753
<b>Total interest-bearing assets</b>	<b>2,015</b>	<b>1,198</b>
Interest-bearing non-current liabilities	-4,942	-5,452
Interest-bearing current liabilities	-2,433	-2,171
<b>Total interest-bearing liabilities</b>	<b>-7,375</b>	<b>-7,623</b>
<b>Net debt</b>	<b>-5,360</b>	<b>-6,425</b>
<i>Change in net debt:</i>		
Net debt at January 1	-6,425	-6,409
Net cash flow for the year	740	-67
Additional purchase price, discontinued operations	-	98
Exchange-rate differences	325	-47
<b>Net debt at year-end</b>	<b>-5,360</b>	<b>-6,425</b>

	2012	2011
<i>Group</i>		
Debt/equity ratio, %	38	48
Net debt/EBITDA, multiples	1.4	1.8
EBITDA/net financial income, multiples	21.9	17.5
<i>Continuing operations, including items affecting comparability</i>		
Net debt/EBITDA, multiples	1.7	2.3
EBITDA/net financial income, multiples	17.7	13.3

As a consequence of the amended accounting policy, IAS 19 Employee Benefits, an unrealized actuarial net loss will increase the pension liability by approximately SEK 230 M and reduce equity by about SEK 160 M after tax in 2013.

The equity/assets ratio was 52 percent (47). At the end of the year, equity per share (271.1 million shares) totaled SEK 52 (49). Return on equity for continuing operations including Trelleborg-Vibracoustic and including items affecting comparability amounted to 12.9 percent (10.4).

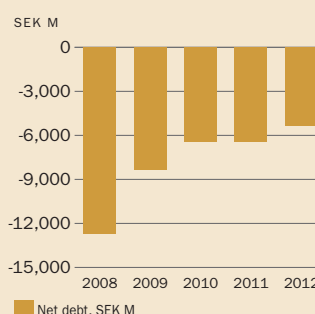
## Net debt and financing

The Group's net debt for the year declined to SEK 5,360 M (6,425), representing a decrease of SEK 1,065 M. Exchange-rate differences decreased net debt by SEK 325 M. The debt/equity ratio at year-end was 38 percent (48). The net debt/EBITDA ratio for continuing operations including items affecting comparability was 1.7 (2.3).

During the fourth quarter, the TrelleborgVibracoustic joint venture secured a EUR 220 M and USD 75 M syndicated revolving credit facility with a five-year tenor. The facility is fully standalone and thus without recourse to the shareholders of Trelleborg-Vibracoustic. The maiden drawdown is scheduled to take place in the first quarter of 2013 and will be used to repay existing shareholder loans. Trelleborg will then receive most of the approximately SEK 800 M. This will lead to a corresponding reduction in the interest-bearing loans granted by the Trelleborg Group as well as a matching reduction in the Trelleborg Group's gross financial debt, with the overall impact on Trelleborg's consolidated net debt and gearing being neutral.

At year-end 2012, the Group's committed confirmed credit facilities primarily comprised a syndicated loan corresponding to approximately EUR 1,200 M. The syndicated loan matures in its entirety in March 2016. A total of 16 leading financial institutions from Europe, Asia and the U.S. are participating in the syndicated loan.

## Net debt





## Comments on the consolidated cash-flow statements

Consolidated operating cash flow amounted to SEK 2,248 M (1,539). Earnings generation remained favorable. The change was attributable to a reduction in inventory of SEK 322 M, an increase in operating receivables of SEK 488 M and a rise in operating liabilities of SEK 262 M. A gradual increase in the pace of capital expenditures during the year, mainly during the fourth quarter, led to an increase in total capital expenditure to SEK 910 M (813), representing 4.3 percent (3.9) of sales.

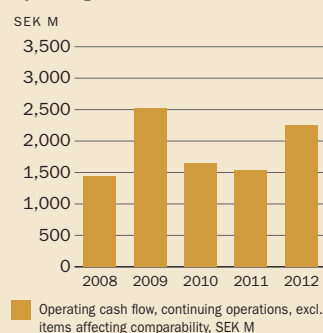
After deduction of payments pertaining to restructuring measures, the additional payment for the divested property, dividends to minority shareholders, financial payments and taxes paid, free cash flow amounted to SEK 1,714 M (675), corresponding to SEK 6.30 per share (2.50).

The amount reported as acquisitions carried out during the year, SEK 744 M (746), relates to Printec, the printing blanket operation of Day Brazil SA, and Maine Industrial Tire, an industrial tire specialist.

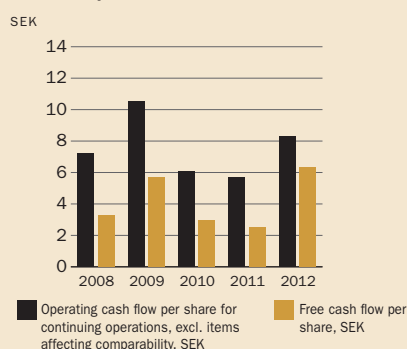
Discontinued operations, SEK 448 M (478), relate to the light-vehicle component operation, the protective product operation and the antivibration solution operation that was transferred to Trelleborg-Vibracoustic, the joint venture formed by Trelleborg and the German firm Freudenberg.

Dividend for the year to shareholders amounted to SEK 678 M (474). Total net cash flow amounted to SEK 740 M (neg: 67).

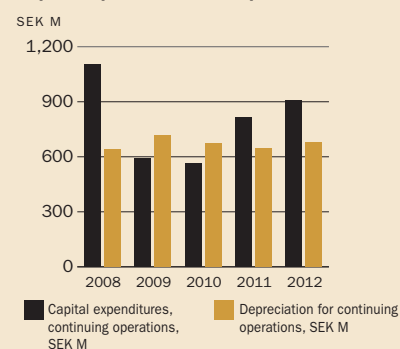
### Operating cash flow



### Cash flow per share



### Capital expenditures and depreciation



### Cash-flow report

SEK M	EBITDA excl. non-cash items		Capital expenditures		Sold non-current assets		Change in working capital		Total cash flow	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Trelleborg Coated Systems	251	320	-96	-68	0	3	12	-68	167	187
Trelleborg Industrial Solutions	488	556	-133	-130	5	2	68	-198	428	230
Trelleborg Offshore & Construction	332	222	-139	-148	4	4	36	-90	233	-12
Trelleborg Sealing Solutions	1,754	1,710	-285	-241	7	10	219	-118	1,695	1,361
Trelleborg Wheel Systems	562	503	-200	-156	2	4	-137	-166	227	185
Group items	-384	-401	-57	-70	41	7	-102	52	-502	-412
<b>Operating cash flow</b>	<b>3,003</b>	<b>2,910</b>	<b>-910</b>	<b>-813</b>	<b>59</b>	<b>30</b>	<b>96</b>	<b>-588</b>	<b>2,248</b>	<b>1,539</b>
Utilization of restructuring provisions/property sale									81	-223
Dividend – non-controlling interests									-5	-3
Financial items									-150	-238
Tax paid									-460	-400
<b>Free cash flow</b>									<b>1,714</b>	<b>675</b>
Acquisitions									-744	-746
Discontinued operations									448	478
Dividend – shareholders of the Parent Company									-678	-474
<b>Total net cash flow</b>									<b>740</b>	<b>-67</b>

# Consolidated cash-flow statements

SEK M	Note	2012	2011
<i>Operating activities</i>			
Operating profit		2,462	2,093
<i>Adjustment for items not included in cash flow:</i>			
Depreciation of property, plant and equipment	14	628	593
Amortization of intangible assets	15	48	52
Impairment of property, plant and equipment	14	22	7
Impairment of intangible assets	15	0	-3
Provisions for restructuring costs		168	131
Other non-cash items		-122	37
Operating activities in discontinued operations		310	518
		<b>3,516</b>	<b>3,428</b>
Interest received and other financial items		40	17
Interest paid and other financial items		-190	-255
Interest and other financial items in discontinued operations		-35	-45
Tax paid		-460	-400
Tax paid in discontinued operations		-34	-79
<b>Cash flow from operating activities before changes in working capital</b>		<b>2,837</b>	<b>2,666</b>
<i>Cash flow from changes in working capital:</i>			
Change in inventories		322	-479
Change in operating receivables		-488	85
Change in operating liabilities		262	-194
Change in working capital in discontinued operations		-400	-204
Utilization of restructuring provisions		-122	-223
<b>Cash flow from operating activities</b>		<b>2,411</b>	<b>1,651</b>
<i>Investing activities</i>			
Acquisitions	35	-744	-746
Discontinued operations	35	328	602
Capital expenditures for property, plant and equipment	14	-847	-773
Capital expenditures for intangible assets	15	-63	-40
Capital expenditures in non-current assets in discontinued operations		-134	-323
Sale of non-current assets		59	30
Sale of non-current assets in discontinued operations		24	9
<b>Cash flow from investing activities</b>		<b>-1,377</b>	<b>-1,241</b>
<i>Financing activities</i>			
Change in interest-bearing investments		-125	-152
Change in interest-bearing liabilities		-273	153
Dividend – shareholders of the Parent Company		-678	-474
Dividend – non-controlling interests		-5	-3
<b>Cash flow from financing activities</b>		<b>-1,081</b>	<b>-476</b>
<b>Cash flow for the year</b>		<b>-47</b>	<b>-66</b>
<i>Cash and cash equivalents:</i>			
Opening balance, January 1		753	832
Exchange-rate differences		-46	-13
<b>Cash and cash equivalents, December 31</b>		<b>660</b>	<b>753</b>

## Note 1

### General information

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 OMX Stockholm. The Board of Directors resolved to adopt these consolidated financial statements for publication on February 12, 2013.

### Summary of important accounting policies

The most important accounting policies applied in the preparation of these consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated.

### Basis of preparation

The Trelleborg Group's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, 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 valued at fair value.

Information pertaining to 2003 in the Group's multi-year summary was not prepared in accordance with IFRS, but is recognized in accordance with earlier Generally Accepted Accounting policies in Sweden.

The Parent Company applies the same accounting policies as the Group, except in the instances stated below under "Parent Company's accounting policies". The differences 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.

### New and amended standards applied by the Group

None of the IFRS or IFRIC interpretations that, for the first time, are mandatory for the fiscal year commencing January 1, 2012 had any material impact on the Group.

### 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 January 1, 2012 were not applied by the Group in the preparation of the 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.

–IAS 1 Presentation of Financial Statements was amended in 2012. The amendment primarily pertains to how a company is to separate the components of other comprehensive income. The separation of components is based on whether or not they can be assumed to be reversed to profit and loss in the future. The amendment does not state the types of components that are to be presented in other comprehensive income.

–IAS 19 Employee Benefits was amended in June 2011. The amendment requires the Group to cease application of the "corridor approach" and to instead recognize all actuarial gains and losses in other comprehensive income as they arise. Costs for services rendered in previous years will be recognized on an ongoing basis. Interest expenses and expected return on plan assets will be replaced by a net interest figure calculated using the discounting rate, based on the net surplus or deficit in the defined benefit plan. The Group intends to apply the amended standard for the fiscal year commencing January 1, 2013. The unrealized actuarial net loss that will have a negative impact on shareholders' equity in 2013 amounts to approximately SEK 160 M after tax.

–IFRS 9 Financial instruments addresses the classification, measurement and recognition of financial liabilities and assets. IFRS 9 was issued in November 2009 for financial assets and in October 2010 for financial liabilities and replaces those sections of IAS 39 related to classification and measurement of financial instruments. IFRS 9 states that financial assets have to be classified in two measurement categories: measurement at fair value or measurement at amortized cost. The classification is determined at initial recognition based on the company's business model and the characteristic conditions in the contractual cash flows. For financial liabilities, no major changes will take place compared with IAS 39. The most significant change relates to liabilities identified at fair value. For these, the portion of the fair value change arising from own credit risk has to be recognized in other comprehensive income instead of profit and loss provided that this does not give rise to accounting mismatch. The Group intends to implement the new standard not later than the fiscal year commencing January 1, 2015 and has not yet assessed the effects. The standard has not yet been adopted by the EU.

–IFRS 10 Consolidated financial statements is based on already existing principles defining control as the decisive factor in determining whether a company is to be included in the consolidated accounts. The standard provides further guidance that can be of assistance when it is difficult to determine control. The Group intends to apply IFRS 10 for the fiscal year commencing January 1, 2013.

–IFRS 11 Joint arrangements provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrange-

ment, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. A joint operation arises when a joint operator has direct rights to the assets and obligations for the liabilities in a joint arrangement. In such an arrangement, the recognition of assets, liabilities, revenue and expenses is based on the owner's share of these. A joint venture arises when the joint operator has rights to the net assets in a joint arrangement. In such an arrangement, the owner is required to recognize its share in accordance with the equity method. The proportional method is no longer permissible. The Group intends to apply IFRS 11 for the fiscal year commencing January 1, 2013.

–IFRS 12 Disclosures of interests in other entities includes the disclosure requirements for subsidiaries, joint arrangements, associated companies and unconsolidated structured entities. The Group intends to apply IFRS 12 for the fiscal year commencing January 1, 2013 and has not yet assessed the full effects on the financial statements.

–IFRS 13 Fair value measurement aims to improve consistency and reduce complexity in the application of fair value measurement by providing a precise definition and a shared source in IFRS for fair value measurements and the associated disclosures. The requirements do not expand the area of application for when it is required to use fair value, but provide guidance on how it should be applied when other IFRSs already require or permit fair value measurement. The Group has not yet assessed the full effects of IFRS 13 on the financial statements. The Group intends to apply the new standard for the fiscal year commencing January 1, 2013.

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on the Group.

### Consolidated accounts

#### Group

The consolidated accounts include the Parent Company and all subsidiaries and associated companies.

#### Subsidiaries

Subsidiaries are all companies (including special purpose entities, SPEs) in which the Group has the right to formulate financial and operating strategies in a manner commonly accompanying participations amounting 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.

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 or 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.

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. Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's policies.

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 recog-



nized 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/loss.

#### **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 operating profit.

The Group's share in the post-acquisition results of an associated company is recognized in profit and loss in the item "Share of profit or loss in associated companies," and is included in operating income. Accumulated post-acquisition changes are recognized as changes in the carrying amount of the investment. When the Group's share in the losses of an associated company amount to, or exceed, the Group's investment in the associated company, including any unsecured receivables, the Group does not recognize further losses unless 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**

A joint venture pertains to an agreement-based relationship in which two or more parties jointly conduct a financial operation and have a joint controlling influence over the business. Investments in joint ventures are recognized in accordance with the equity method, similar to investments in associated companies. Trelleborg's share of profit before tax in the joint venture Trelleborg-Vibracoustic is recognized on the line "Participations in Trelleborg-Vibracoustic," which is included in operating profit. Trelleborg's share of income tax attributable to Trelleborg-Vibracoustic is recognized on the line "Tax attributable to Trelleborg-Vibracoustic."

#### **Transactions with non-controlling interests**

Transactions with non-controlling interests are treated as transactions with the Group's shareholders. This means that, in connection with an acquisition from a non-controlling interest, the difference between the purchase consideration paid and the actual share acquired of the carrying amount of the subsidiary's net assets is recognized in equity. Gains and losses on divestments to non-controlling interests are also recognized in equity.

#### **Discontinuing or divested operations**

Discontinuing or divested operations comprise significant parts of operations and assets that the Group has 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.

#### **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 Group accounts.

##### **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 hedge or net-investments hedge 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 and associated companies (none of which use a high-inflation currency) are prepared in the functional currency of each company. In the consolidated accounts, the earn-

ings 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 sheet 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.

#### **Income tax**

Income tax in the income statement includes both current tax and deferred tax. Income tax is recognized in profit and loss except when an underlying transaction is recognized directly against equity or total comprehensive income, in which case the related tax effect is also recognized in equity or total comprehensive income. Current tax is tax payable or 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 liability method on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated accounts. 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. Temporary differences arise in business combinations on the differences between the consolidated value of assets and liabilities and their tax bases.

Temporary differences that arise on initial recognition of an asset or liability, and 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 investments in subsidiaries and 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.

Deferred tax assets are recognized insofar as it is probable that tax surpluses will be available in the future against which temporary differences can be utilized.

#### **Segment reporting**

Operating segments are reported in a manner consistent with the internal reports presented to the chief operating decision maker. The chief operating decision maker is the function responsible for the allocation of resources and the assessment of the 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. For a description of the various segments, see pages 10-19.

The Group is divided into five business areas: Trelleborg Coated Systems, Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg Sealing Solutions and Trelleborg Wheel Systems.

It also includes Group items defined as central staff functions and two operations, the first of which is Group-wide and the second of which is in build-up and integration phase.

Segment reporting for the business areas comprises operating revenues and expenses and capital employed. Capital employed encompasses all property, plant and equipment, intangible assets and investments in associated companies, plan assets, inventories and operating receivables, less operating liabilities including pension liabilities.

The business areas are charged with Group-wide expenses amounting to 0.4 percent of external sales, which does not affect recognized cash flows.

In the presentation of the Group's geographical markets, the operations have been subdivided into the Group's key geographical markets, which are Western Europe, North America and Rest of the World.

Net sales are recognized according to customer location, while assets and capital expenditures are recognized according to the actual physical location of these assets.

#### **Other accounting and valuation policies**

Non-current assets and non-current liabilities comprise amounts expected to be recovered or paid 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.

#### **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 sale of goods is recognized during the period in which the product is delivered and when all significant risks and rewards related to ownership have been transferred to the buyer. Accordingly, the Group no longer has any involvement in the goods that is ownership-related, nor does it exercise any real control over the goods when revenue is recognized. Net sales are recognized after deduction of VAT and are adjusted for any discounts, as well as exchange-rate differences in connection with sales conducted in foreign currencies.

**Contract and service assignments**

Revenue recognition is conducted using the percentage-of-completion method. Revenue is recognized on the basis of the stage of completion whereby it is probable that the company will obtain the financial benefits related to the assignment, and when a reliable calculation can be made. The stage of completion is determined on the basis of costs incurred in relation to total calculated costs. Anticipated losses are expensed immediately.

**Royalty revenue**

Royalty revenue is recognized on an accruals basis in accordance with the financial conditions of the relevant agreements.

**Interest income**

Interest income is recognized on a time-proportion basis using the effective interest method.

**Dividend income**

Dividend income is recognized when the right to receive payment has been determined.

**Other operating revenue and expenses**

Other operating revenue and expenses include external rental revenue, capital gains from the sale and scrapping of property, plant, equipment and tools, and also gains or losses on sales of associated companies and subsidiaries.

**Borrowing costs**

The Group capitalizes borrowing costs that are directly attributable to acquisitions, construction or the production of a qualifying asset requiring a substantial period of time to complete for use or sale, as a portion of the cost of that asset. Other borrowing costs are expensed in the period in which they occur.

Transaction costs for loans raised are recognized over the duration of the loan applying the effective interest method.

**Intangible assets****Goodwill**

The amount by which the transferred consideration, any non-controlling interests and the fair value of previous shareholdings on the date of transfer exceeds the fair value of the Group's share of identifiable acquired net assets is recognized as goodwill. Goodwill on acquisitions of subsidiaries is recognized as an intangible asset. Goodwill on acquisition of 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 acquisition of operations giving rise to the goodwill item. These cash-generating units comprise the Group's investments in each primary segment.

**Research and development**

Expenditure for development and research is expensed when it arises. Expenditure for development and testing of new or significantly improved materials, products, processes or systems is capitalized once the following criteria have been fulfilled:

- it is technically feasible to complete the intangible asset such that it can be utilized or sold,
- management intends to complete the intangible asset and utilize or sell it,
- there are prerequisites in place to utilize or sell the intangible asset,
- it can be demonstrated that the intangible asset will generate probable, future economic benefits,
- adequate technical, economic and other resources 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. 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. Other intangible assets are amortized over their useful life, normally five to ten years.

**Property, Plant and Equipment (PPE)**

PPE primarily encompasses plants and offices. PPEs are measured at cost less accumulated depreciation and, where applicable, impairment losses. Cost includes expenses directly attributable to the acquisition of the asset. Cost may also include transfers from equity of gains and losses from cash-flow hedges relating to purchases in foreign currency, if these meet the requirements for hedge accounting.

Depreciation is applied until the estimated residual value is reached. The residual value and useful life of the assets are assessed on each 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. See the section relating to impairment losses.

Depreciation is based on cost and is allocated on a straight-line basis over the asset's estimated useful life.

The following depreciation rates apply:

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

Subsequent expenditure for a PPE is added to the carrying amount or recognized as a separate asset, depending on which is suitable, only when it is probable that 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.

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 costs, respectively.

**Leasing**

Lease contracts for PPE are classified as either finance leases or operating leases. Finance leases apply when the financial risks and rewards related to ownership are, for all practical purposes, transferred to the Group. At the inception of the lease period, financial 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 PPE. 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. PPE held under finance lease agreements are depreciated in accordance with the same principles applicable to other assets of the same type, according to plan, 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 leases. Lease payments for operating leases are expensed as operating costs straight-line over the term of the lease.

**Impairment losses on non-financial assets**

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 costs 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.

#### **Fixed assets held for sale**

Fixed assets (or disposal groups) are classified as held for sale when their carrying amounts will primarily be recovered on the basis of a sales transaction, and 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.

#### **Financial instruments**

Financial instruments recognized in the balance sheet include the following assets and liabilities: cash and cash equivalents, securities, other financial receivables, accounts receivable, accounts payable, loans and derivatives.

A financial asset or liability is initially recognized in the balance sheet when the company becomes a party to the contractual conditions of the instrument.

A financial asset is derecognized from the balance sheet when all benefits and risks associated with ownership have been transferred. A financial liability is derecognized from the balance sheet when the obligations of the contract have been met, or otherwise 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 asset or group of financial assets has been impaired.

#### **Classification of financial instruments**

The Group classifies its financial instruments into the following categories: financial assets or liabilities at fair value through profit and loss, loans and receivables and financial liabilities measured at amortized cost.

The classification depends on the purpose for which the instrument was acquired. The classification is determined on the initial recognition of the instrument and is reassessed on each subsequent reporting occasion.

#### **Calculation of fair value**

The fair value of listed financial instruments is based on the appropriate market quotation on the 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 operating profit or loss, while exchange-rate differences on financial receivables and liabilities are classified as financial items.

#### **Financial assets at fair value through profit and loss**

This category comprises both financial assets held for trading 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 through profit and loss as a financial item. Only derivatives were recognized in this category during the year.

#### **Loans and receivables**

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

Loan receivables and accounts receivable are initially measured at fair value and, subsequently, at amortized cost by applying the effective interest method, less 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. Significant financial difficulties experienced by a debtor, the probability of the debtor entering into bankruptcy or undergoing financial reconstruction and payments not being made or being made late (fallen due by more than 30 days) are all considered to be indications that a bad debt provision may be required.

The size of the provision comprises the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted by the receivable's effective interest rate. The carrying amount of the asset is reduced by using a 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.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash balances and balances with banks and other institutes maturing within three months from the time of acquisition, as well as short-term investments with a maturity, from the time of acquisition, of less than three months, and which are exposed to a minimal risk of fluctuations in value.

#### **Borrowings**

Borrowings are initially recognized at fair value, net, after transaction costs and, subsequently, at amortized cost. Any difference between the amount received and the amount to be repaid is recognized in profit and loss over the loan period by applying the effective interest method. Borrowings are classified as interest-bearing non-current or current liabilities in the balance sheet.

#### **Accounts payable**

Accounts payable are initially recognized at fair value and, thereafter, at accrued cost using the effective interest method.

#### **Offsetting of financial instruments**

Financial assets and liabilities are offset and recognized at net amount in the balance sheet only when a legal right exists to offset the recognized amount and there is an intention to settle the amount net, or simultaneously realize the asset and settle the liability.

#### **Impairment of financial assets**

##### **Assets carried at amortized cost**

At the end of each reporting period, the Group 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.

#### **Financial derivatives**

The Group utilizes derivatives to cover the risk for exchange-rate fluctuations and to hedge its exposure to interest-rate risks. The Group also uses derivatives for commercial trade within the framework of the mandates determined by the Board. Holdings of financial derivatives include interest-rate and currency swaps, FRAs and foreign-exchange forwards, and interest-rate and currency options.

Derivatives are recognized in the balance sheet from the contract date and are measured at fair value, both initially and in subsequent 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 valued 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.

#### **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 operating profit in profit and loss. Accumulated amounts in equity are transferred back to profit and loss in the periods in which the hedged item affects profit, such as when a forecast external sale takes place.

When a hedging instrument expires or is sold, or when the hedge no longer meets the requirements for hedge accounting, accumulated gains or losses remain in equity and are recognized as income/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, foreign-exchange forward contracts and currency options in foreign currencies to hedge investments in foreign subsidiaries. These borrowings and contracts are measured at the closing rate. In the consolidated balance sheet, the borrowings are measured at the closing rate and exchange-rate differences are recognized directly against equity, after adjustment for the tax portion.

The Group has borrowings in foreign currency 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 hedges being recognized directly in equity. Any ineffective portion of the exchange-rate difference is recognized directly in profit and loss as a financial item.

Accumulated gains and losses in equity are recognized in 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".

#### **Inventories**

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. The net realizable value is calculated as the estimated selling price less applicable variable sales expenses. Deductions are made for internal profits generated through intra-Group sales.

#### **Equity**

Costs arising in connection with new share issues and the repurchase of treasury shares are recognized directly in equity.

The redemption of convertibles and the exercise of share warrants entail new shares being issued while the exercise of call options may entail the utilization of treasury shares.

The proceeds from the sale of treasury shares are recognized directly in equity. Holdings of treasury shares reduce profit brought forward. When treasury shares are cancelled, the share capital is reduced by an amount corresponding to the par value of the shares and accumulated profit or loss is increased by the corresponding amount.

#### **Provisions**

Provisions are recognized when the Group has a legal or constructive obligation resulting from past events and it is probable that payment will be required to meet the obligation, and that the amount can be calculated in a reliable manner. 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. 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.

#### **Government grants**

Government grants are recognized at fair value when it is probable that the terms associated with the grants will be met and that the grants will be received. Government grants relating to the acquisition of assets reduces the cost of the assets. Government grants providing compensation for expenses are recognized systematically over the same period as the expenses to be offset.

#### **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.

A defined contribution pension plan is a plan in which the Group pays fixed fees to a separate legal entity. The Group does not have any legal or informal obligations to pay additional contributions if this legal entity has insufficient assets with which to make all pension payments to employees that are associated with the current or past service of employees. In a defined benefit pension plan, the amount of the pension benefit an employee will receive after retirement is based on factors such as age, period of service and salary.

Pension plans are normally financed through contributions to a separate legal entity from each Group company and from the employees.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation on the closing date, less the fair value of plan assets and is adjusted for unrecognized actuarial gains and losses and unrecognized expenses for past service.

For defined benefit plans, the liability is calculated using the Projected Unit Credit Method, which allocates the cost over the employee's working life. The calculations are undertaken by actuaries, who also annually reassess the value of the pension obligations. These assumptions are based on the present value of future pension payments and are calculated using a discount rate corresponding to the interest on first-class corporate bonds or government bonds with a remaining maturity largely matching that of the current pension obligations. For funded pension plans, the fair value of plan assets reduces the calculated pension obligation. Funded plans with net assets, i.e. where the assets exceed the obligations, are recognized as plan assets. If accumulated actuarial gains and losses arising from experience-based adjustments and changes to actuarial assumptions exceed the higher of 10 percent of the pension obligations, or the market value of the plan assets, the excess amount is recognized over the expected average remaining working life of the employees participating in the plan. Some of the ITP plans in Sweden are financed through insurance premiums paid to Alecta. This is a defined benefit plan and encompasses several employers. 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.

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. Prepaid contributions are recognized as an asset insofar as cash repayments or reductions of future payments can benefit the Group.

##### *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.

##### *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.

##### **Related-party transactions**

The Group's transactions with related parties pertain to purchases and sales to associated companies. All transactions are priced in accordance with market terms and prices; refer to Note 7 for further information. In addition, compensation is paid to the Board of Directors and senior executives; refer to Note 3 for further information.



## Critical accounting estimates and judgments

Company management and the Board of Directors make estimates and assumptions about the future. These estimates and assumptions 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. Areas involving estimates and assumptions that may have a significant effect on the Group's earnings and financial position include:

- Impairment testing of goodwill and other assets: The impairment requirement for goodwill implies that goodwill is tested annually in conjunction with the year-end, or as soon as changes indicate that a risk of impairment exists, such as when the business climate changes or a decision is made on the divestment or closure of an operation. Impairment losses are recognized if the carrying amount exceeds the estimated value in use. See also Note 15. Goodwill represents approximately 59 percent of the Group's equity.
- Other PPE and intangible assets are recognized at cost, less accumulated depreciation and any impairments. The Group has no intangible assets, other than goodwill, with a non-finite useful life. Amortization and depreciation take place over the estimated useful life, down to the assessed residual value. The value is tested as soon as changed conditions show that a need for impairment has taken place. Value in use is measured as anticipated future discounted cash flow, primarily from the cash-generating unit to which the asset belongs, but in specific cases, also in relation to individual assets. Testing of the carrying amount of an asset also becomes necessary when a decision is taken to sell the asset. The asset is measured at the lower of the carrying amount and the fair value, less selling costs. Not including goodwill, PPE and intangible assets amount to approximately 38 percent of the Group's equity.
- Calculation of deferred tax assets and liabilities: Assessments are made to determine current and deferred tax assets and liabilities, particularly with regard to deferred tax assets. In this manner, an assessment is made of the probability that the deferred tax 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. For further information, see Note 18.
- Calculation of remuneration to employees: 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 289 M. As regards accounting policies, actuarial gains and losses

in defined benefit pension plans are only recognized in profit and loss in the amount they either exceed, or fall below, 10 percent of the higher of the present value of the defined-benefit pension obligation, valued at fair value, or of the fair value of the plan assets. Net unrecognized actuarial gains or losses amounted to a loss of SEK 231 M at year-end. As a result of the amendment to IAS 19 Employee Benefits in June 2012, the Group will cease application of the "corridor approach" as of 2013 and instead recognize all actuarial gains and losses in other comprehensive income as they arise. Costs for services rendered in previous years will be recognized on an ongoing basis. Interest expenses and expected return on plan assets will be replaced by a net interest figure calculated using the discounting rate, based on the net surplus or deficit in the defined benefit plan.

- Calculations regarding legal disputes and contingent liabilities: The Group is involved in a number of disputes and legal proceedings within the framework of its operating activities. Management engages both external and internal 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. For further information, refer the Risk management section on pages 37-43.
- Calculations of provisions for restructuring measures, other provisions and accrued expenses: 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.

## Cash-flow statements

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

## Parent Company's accounting policies

The financial statements of the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.

Accounting for legal entities entails that, in its financial reporting, the Parent Company applies International Financial Reporting Standards (IFRS) that have been endorsed by the EU where this is possible within the framework of the Swedish Annual Accounts Act and with consideration of the link between accounting and taxation. This entails the following differences between accounting in the Parent Company and the Group:

- The Parent Company 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 are added to the value of shares and participations in the balance sheet, after which they are tested for impairment.

## Note 2

### Segment reporting

A description of the Group's operating segments is presented on pages 10-19.

#### Net sales and operating profit by business segment

SEK M	2012						2011					
	Net sales			Operating profit/loss	Of which, items affecting comparability	Of which, profit/loss in associated companies	Net sales			Operating profit/loss	Of which, items affecting comparability	Of which, profit/loss in associated companies
	External	Internal	Total				External	Internal	Total			
Trelleborg Coated Systems	1,590	148	1,738	177	–	–	1,647	163	1,810	233	6	–
Trelleborg Industrial Systems	4,416	86	4,502	257	–71	0	4,469	143	4,612	356	–31	–
Trelleborg Offshore & Construction	3,708	10	3,718	154	–67	–	3,174	25	3,199	51	–62	–
Trelleborg Sealing Solutions	7,164	51	7,215	1,487	–26	2	7,277	11	7,288	1,475	–20	–
Trelleborg Wheel Systems	3,865	0	3,865	449	–	1	3,862	1	3,863	401	0	0
Group items	519	483	1,002	–171	175	–	614	686	1,300	–423	–31	–
Elimination of inter-company sales	–	–778	–778	–	–	–	–	–1,029	–1,029	–	–	–
TrelleborgVibracoustic	–	–	–	109	–	109	–	–	–	–	–	–
<b>Continuing operations</b>	<b>21,262</b>	<b>0</b>	<b>21,262</b>	<b>2,462</b>	<b>11</b>	<b>112</b>	<b>21,043</b>	<b>0</b>	<b>21,043</b>	<b>2,093</b>	<b>–138</b>	<b>0</b>
Discontinued operations	3,975	–	3,975	353	–10	8	8,107	–	8,107	596	–66	6
<b>Trelleborg Group</b>	<b>25,237</b>	<b>0</b>	<b>25,237</b>	<b>2,815</b>	<b>1</b>	<b>120</b>	<b>29,150</b>	<b>0</b>	<b>29,150</b>	<b>2,689</b>	<b>–204</b>	<b>6</b>
Financial income	–	–	–	56	–	–	–	–	–	46	–	–
Financial expenses	–	–	–	–245	–	–	–	–	–	–255	–	–
Income tax	–	–	–	–569	–	–	–	–	–	–642	–	–
<b>Net profit for the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,057</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,838</b>	<b>–</b>	<b>–</b>

## Assets and liabilities by business segment

SEK M	2012								2011							
	Operating assets	Operating liabilities	Capital employed	Of which investment in associated companies	Capital expenditures	Depreciation/amortization	Impairment losses	Operating cash flow <sup>1)</sup>	Operating assets	Operating liabilities	Capital employed	Of which investment in associated companies	Capital expenditures	Depreciation/amortization	Impairment losses	Operating cash flow
Trelleborg Coated Systems	2,459	310	2,149	–	96	67	–	167	2,305	330	1,975	–	68	68	–	187
Trelleborg Industrial Systems	3,367	835	2,532	3	133	143	3	428	3,745	878	2,867	2	130	139	1	230
Trelleborg Offshore & Construction	2,788	895	1,893	–	139	97	20	233	2,745	754	1,991	–	148	97	5	–12
Trelleborg Sealing Solutions	7,963	1,071	6,892	1	285	213	3	1,695	8,530	1,191	7,339	–2	241	202	0	1,361
Trelleborg Wheel Systems	3,450	696	2,754	1	200	99	–	227	3,129	938	2,191	3	156	91	–	185
Group items	1,072	558	514	2	57	57	–4	–502	844	552	292	0	70	48	–1	–412
Provisions for items affecting comparability		130	–130							93	–93					
Trelleborg/Vibracoustic	2,860	–	2,860	2,860	–	–	–	–	–	–	–	–	–	–	–	–
<b>Continuing operations</b>	<b>23,959</b>	<b>4,495</b>	<b>19,464</b>	<b>2,867</b>	<b>910</b>	<b>676</b>	<b>22</b>	<b>2,248</b>	<b>21,298</b>	<b>4,736</b>	<b>16,562</b>	<b>3</b>	<b>813</b>	<b>645</b>	<b>5</b>	<b>1,539</b>
Discontinued operations	0	0	0	–	134	114	2	–259	4,705	1,693	3,012	51	323	266	–2	0
<b>Trelleborg Group</b>	<b>23,959</b>	<b>4,495</b>	<b>19,464</b>	<b>2,867</b>	<b>1,044</b>	<b>790</b>	<b>24</b>	<b>1,989</b>	<b>26,003</b>	<b>6,429</b>	<b>19,574</b>	<b>54</b>	<b>1,136</b>	<b>911</b>	<b>3</b>	<b>1,539</b>

<sup>1)</sup> Operating cash flow pertains to the Group's operations excluding provisions for items affecting comparability.

## Net sales

## By geographical market/country

SEK M	2012	2011
Germany	3,022	3,113
UK	1,728	1,534
France	1,442	1,592
Sweden	1,308	1,402
Italy	898	1,026
Norway	684	610
Netherlands	537	599
Spain	491	532
Belgium	389	429
Denmark	374	368
Switzerland	355	458
Finland	284	318
Other Western Europe	309	358
<b>Total Western Europe</b>	<b>11,821</b>	<b>12,339</b>
Poland	296	317
Czech Republic	199	199
Turkey	122	123
Romania	94	135
Rest of Europe	366	384
<b>Total rest of Europe</b>	<b>1,077</b>	<b>1,158</b>
US	3,977	3,296
Canada	246	229
<b>Total North America</b>	<b>4,223</b>	<b>3,525</b>
Brazil	443	446
Mexico	129	115
Other South and Central America	96	91
<b>Total South and Central America</b>	<b>668</b>	<b>652</b>
China	688	619
Australia	572	532
Japan	445	435
South Korea	314	346
India	218	266
Other markets	1,236	1,171
<b>Total Asia and other markets</b>	<b>3,473</b>	<b>3,369</b>
<b>Continuing operations</b>	<b>21,262</b>	<b>21,043</b>
Discontinued operations	3,975	8,107
<b>Trelleborg Group</b>	<b>25,237</b>	<b>29,150</b>
Net sales for continuing operations are distributed as follows:		
sales of goods	21,183	20,972
services	79	71

In the translation of foreign subsidiaries, changes in exchange rates compared with 2011 had an impact on sales of 0 percent (neg: 6).

## Trends in key currencies were as follows:

	2012		2011	
	Average rate	Closing day rate	Average rate	Closing day rate
EUR	8.7047	8.6259	9.0342	8.9540
USD	6.7731	6.5169	6.4973	6.9247
GBP	10.7343	10.4977	10.4119	10.6831

## Net sales

## External net sales by geographic market

SEK M	2012	2011
Western Europe	11,821	12,339
North America	4,223	3,525
Rest of the world <sup>1)</sup>	5,218	5,179
<b>Continuing operations</b>	<b>21,262</b>	<b>21,043</b>
Discontinued operations	3,975	8,107
<b>Trelleborg Group</b>	<b>25,237</b>	<b>29,150</b>

<sup>1)</sup> Rest of the world consists of Rest of Europe, South and Central America and Asia and other markets.

## Assets by geographic market

SEK M	Operating assets		Capital expenditures	
	2012	2011	2012	2011
Western Europe	17,227	14,974	537	466
North America	3,624	3,562	92	76
Rest of the world	3,811	3,227	281	271
Eliminations	–703	–465		
<b>Continuing operations</b>	<b>23,959</b>	<b>21,298</b>	<b>910</b>	<b>813</b>
Discontinued operations	–	4,705	134	323
<b>Trelleborg Group</b>	<b>23,959</b>	<b>26,003</b>	<b>1,044</b>	<b>1,136</b>

## Note 3

## Employees and employee benefits

## Average number of employees

	2012			2011		
	Women	Men	Total	Women	Men	Total
UK	271	1,154	1,425	278	1,222	1,500
Sweden	457	886	1,343	553	1,048	1,601
Italy	184	956	1,140	196	906	1,102
France	193	837	1,030	204	887	1,091
Germany	226	426	652	220	427	647
Malta	165	400	565	165	435	600
Spain	59	381	440	62	421	483
Other Western Europe	294	859	1,153	246	877	1,123
<b>Total Western Europe</b>	<b>1,849</b>	<b>5,899</b>	<b>7,748</b>	<b>1,924</b>	<b>6,223</b>	<b>8,147</b>
Poland	234	235	469	222	245	467
Rest of Europe	228	324	552	236	364	600
<b>Total rest of Europe</b>	<b>462</b>	<b>559</b>	<b>1,021</b>	<b>458</b>	<b>609</b>	<b>1,067</b>
US	578	1,494	2,072	607	1,571	2,178
Canada	4	18	22	3	19	22
<b>Total North America</b>	<b>582</b>	<b>1,512</b>	<b>2,094</b>	<b>610</b>	<b>1,590</b>	<b>2,200</b>
Brazil	86	170	256	71	136	207
Other South and Central America	109	133	242	126	154	280
<b>Total South and Central America</b>	<b>195</b>	<b>303</b>	<b>498</b>	<b>197</b>	<b>290</b>	<b>487</b>
China	313	609	922	327	550	877
Sri Lanka	28	714	742	29	705	734
India	42	228	270	36	173	209
Other markets	127	483	610	119	466	585
<b>Total Asia and other markets</b>	<b>510</b>	<b>2,034</b>	<b>2,544</b>	<b>511</b>	<b>1,894</b>	<b>2,405</b>
<b>Continuing operations</b>	<b>3,598</b>	<b>10,307</b>	<b>13,905</b>	<b>3,700</b>	<b>10,606</b>	<b>14,306</b>

## Note 3 cont.

## Average number of employees

	2012			2011		
	Women	Men	Total	Women	Men	Total
Sweden	55	84	139	66	105	171
France	62	167	229	201	560	761
Germany	32	186	218	68	373	441
Spain	47	171	218	95	333	428
US	156	274	430	252	584	836
Brazil	32	289	321	55	736	791
China	112	228	340	162	452	614
India	8	269	277	18	590	608
Other countries	196	429	625	412	906	1,318
<b>Discontinued operations</b>	<b>700</b>	<b>2,097</b>	<b>2,797</b>	<b>1,329</b>	<b>4,639</b>	<b>5,968</b>
<b>Trelleborg Group</b>	<b>4,298</b>	<b>12,404</b>	<b>16,702</b>	<b>5,029</b>	<b>15,245</b>	<b>20,274</b>

The proportion of women is 0 percent (18) in executive management positions and 29 percent (29) on the Board of Directors.

## Employee benefits

Salaries and other remuneration, SEK M	2012	2011
UK	474	489
Sweden	616	671
Italy	408	445
France	333	357
Germany	366	341
Malta	95	101
Spain	130	137
Other Western Europe	675	624
<b>Total Western Europe</b>	<b>3,097</b>	<b>3,165</b>
Poland	48	47
Rest of Europe	77	81
<b>Total rest of Europe</b>	<b>125</b>	<b>128</b>
US	884	884
Canada	15	12
<b>Total North America</b>	<b>899</b>	<b>896</b>
Brazil	74	56
Other South and Central America	27	26
<b>Total South and Central America</b>	<b>101</b>	<b>82</b>
China	91	73
Sri Lanka	27	28
India	18	14
Other markets	287	256
<b>Total Asia and other markets</b>	<b>423</b>	<b>371</b>
<b>Salaries and other remuneration, continuing operations</b>	<b>4,645</b>	<b>4,642</b>
Payroll overheads	943	910
Pension costs – defined-contribution plans	154	136
Pension costs – defined benefit plans	73	49
<b>Payroll overheads, continuing operations</b>	<b>1,170</b>	<b>1,095</b>
<b>Continuing operations</b>	<b>5,815</b>	<b>5,737</b>
Total employee benefits, discontinued operations	791	1,547
<b>Trelleborg Group</b>	<b>6,606</b>	<b>7,284</b>
Salaries and other remuneration for continuing operations include:		
to Board members, presidents and executive vice presidents, including variable salaries	141	142
to other senior executive officers	27	27

Remuneration of the Board of Directors and senior executives  
Principles

The following principles governing remuneration of senior executives in the Trelleborg Group were adopted by the 2012 Annual General Meeting. The Board's proposal to the 2013 Annual General Meeting regarding principles for remuneration is the same as the proposal adopted by the 2012 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. The remuneration structure shall comprise fixed and variable salary, pension and other remuneration, which together form the individual's total remuneration package. Trelleborg continuously gathers and evaluates information on market-based remuneration levels for relevant industries and markets. The principles for remuneration must have the capacity to be adjusted to local conditions. The remuneration structure is to be based on such factors as position held, competence, experience and performance. Also refer to [www.trelleborg.com](http://www.trelleborg.com), Corporate Governance, Annual General Meeting: "Principles for remuneration and other conditions of employment for senior executives".

## Remuneration of management 2012

## President

During 2012, the President and CEO received a fixed salary and other remuneration as shown in the table below. Pursuant to agreements, the President has the possibility of obtaining an annual variable salary. The annual variable salary has an established ceiling for full-year 2012, corresponding to 65 percent of fixed salary. During 2012, the annual variable salary was based on, among other factors, the Trelleborg Group's profit before tax, excluding the effect of structural changes approved by the Board, and on the Trelleborg Group's operating cash flow, excluding the effect of structural changes approved by the Board and excluding the impact on earnings from TrelleborgVibracoustic. The annual variable salary does not constitute pensionable income and does not form the basis of calculation of vacation pay. For 2012, an annual variable salary of SEK 5,408,000 (4,711,000) was payable to the President.

The President has a pension agreement entitling him to retire at the age of 65. However, under the terms of the pension agreement, both the company and the President have the right, without special motivation, to request early retirement from the age of 60, subject to a mutual six-month notice of termination. Should the President enter into early retirement, the employment agreement and pension agreement shall be rendered invalid as of the effective date of such retirement. The pension agreement is a defined-contribution scheme, and the premium is computed as 40 percent of the fixed salary. Pension premiums were expensed in 2012 as shown in the table below.

The President's employment contract stipulates that termination of employment by the company shall be subject to a period of notice of 24 months. The period of notice from the President is six months. During this period of notice, fixed salary is payable.

## 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 30-60 percent of fixed annual salary. In 2012, the annual variable salary was based on, among other factors, the earnings trend and operating cash flow. For the business areas, other operational key figures were also used as the targets for annual variable salary. For other senior executives, retirement pension plans are defined-contribution schemes, whereby the pension premium can vary between 20 and 45 percent of the fixed salary. Some senior executives have agreements specifying mutual rights to request early retirement from the age of 60. In this case, compensation amounting to 60 percent of fixed annual salary is paid until the age of 65, when the regular retirement pension payments become effective. For certain senior executives, extended notice of termination periods apply when initiated by the company, normally 12, 18 or 24 months, the period of notice is six months when initiated by the executive. For the President and other senior executives, there is mainly an opportunity to have a company car as a benefit. The Group has a global remuneration policy covering all managers and senior salaried employees. There is also a policy covering certain provisions for remuneration of senior executives, covering pension terms, medical expenses insurances and company cars.

## Long-term incentive program

Since 2005, the Board of Directors has annually resolved to introduce a long-term incentive program for the President and for certain senior executives considered to exercise a significant influence on the Trelleborg Group's earnings per share. These programs are ongoing three-year programs for which the Board will, on a yearly basis, approve any new programs and will define their scope, objective and participants. The incentive programs are cash-based and constitute a supplement to the annual variable salaries, provided that the executive has not terminated his or her employment at the Trelleborg Group as per December 31 in the year in which the program ends.

## Purpose

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

## Target figures

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

For the current programs, the Board has established a target of SEK 2.85 in earnings per share for 2010, a target of SEK 5.20 for 2011 and a target of SEK 6.02 for 2012, with the upper cap for payments for all programs set at 25 percent of the maximum annual variable salary per program per year.

## Outcome and payment

The result is calculated annually and accumulated over the three-year period and potential payments are made in the first quarter of the year after the program expires. For the program approved for 2009, payment was made in the first quarter of 2012, for the program approved for 2010, payment will be made in the first quarter of 2013, for the program approved for 2011, payment will be made in the first quarter of 2014 and for the program approved for 2012, payment will be made in the first quarter of 2015. The payments do not constitute pensionable income and do not form the basis of calculation of vacation pay. In 2012, earnings were charged with SEK 24,022,000 (26,798,000) and additional payroll expenses of SEK 5,823,000 (6,396,000).

## Other incentive programs

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

## Remuneration to the Board 2012

The fees paid to the members of the Board of Directors elected by the Annual General Meeting are established by the Annual General Meeting based on the proposals of the Nomination Committee. For 2012, remuneration was paid as per the table below. No remuneration is paid to members of the Finance Committee. No consulting fees were paid to the Board members. Remuneration is not paid to Board members who are also employed by the Group.

## Specification of remuneration to Board members, salaries to the President and other senior executive officers

2012 SEK 000s	Board fee/fixed salary	Annual variable salary	Incentive program <sup>1)</sup>	Other benefits	Pension costs	Total
Anders Narvinger, Chairman of the Board	1,100					1,100
Hans Biörck, Board member	450					450
Claes Lindqvist, Board member	550					550
Sören Mellstig, Board member	500					500
Bo Risberg, Board member	500					500
Nina Udnes Tronstad, Board member	400					400
Heléne Vibbleus Bergquist, Board member	550					550
President	8,713	5,408	3,907	170	3,384	21,582
Other senior executives, employees of Trelleborg AB, 4 persons	9,022	4,238	2,114	465	3,999	19,838
employees of other Group companies, 6 persons	22,841	8,685	7,248	509	6,682	45,965
<b>Total</b>	<b>44,626</b>	<b>18,331</b>	<b>13,269</b>	<b>1,144</b>	<b>14,065</b>	<b>91,435</b>

<sup>1)</sup> Expensed in 2012. Payment is made in the first quarter, 2013 to 2015, on condition that the individual is employed in the Group on December 31 of the preceding year.

2011 SEK 000s	Board fee/fixed salary	Annual variable salary	Incentive program	Other benefits	Pension costs	Total
Anders Narvinger, Chairman of the Board	1,167					1,167
Hans Biörck, Board member	437					437
Claes Lindqvist, Board member	537					537
Sören Mellstig, Board member	487					487
Bo Risberg, Board member	387					387
Nina Udnes Tronstad, Board member	387					387
Heléne Vibbleus Bergquist, Board member	537					537
President	8,447	4,711	3,900	172	3,254	20,484
Executive Vice President <sup>2)</sup>	1,605	566		64	5,108	7,343
Other senior executives, employees of Trelleborg AB, 5 persons	10,387	3,400	2,387	486	4,899	21,559
employees of other Group companies, 4 persons	18,069	6,629	7,364	138	2,483	34,683
<b>Total</b>	<b>42,447</b>	<b>15,306</b>	<b>13,651</b>	<b>860</b>	<b>15,744</b>	<b>88,008</b>

<sup>2)</sup> The Executive Vice President was employed in the Group until June 30, 2011. No Executive Vice President has subsequently been appointed to fill the position.



## Note 4

### Auditor's remuneration

SEK M	2012	2011
<i>PricewaterhouseCoopers</i>		
Audit assignment	27	28
Audit activities other than audit assignment	4	4
Tax consultancy services	5	6
Other services	10	5
<i>Other auditors</i>		
Audit assignment	1	1
Tax consultancy services	1	–
<b>Continuing operations</b>	<b>48</b>	<b>44</b>
Discontinued operations	–	6
<b>Trelleborg Group</b>	<b>48</b>	<b>50</b>

## Note 5

### Items affecting comparability, continuing operations

#### Breakdown by business area

SEK M	2012	2011
Trelleborg Coated Systems	–	6
Trelleborg Industrial Systems	–71	–31
Trelleborg Offshore & Construction	–67	–62
Trelleborg Sealing Solutions	–26	–20
Trelleborg Wheel Systems	–	0
Group items	–28	–31
<b>Total expenses</b>	<b>–192</b>	<b>–138</b>
Sale of property	203	–
<b>Net items affecting comparability</b>	<b>11</b>	<b>–138</b>

#### Breakdown by function

SEK M	2012	2011
Cost of goods sold	–65	–77
Selling expenses	–12	–13
Administrative expenses	–32	–18
R&D costs	–1	–1
Other operating income	203	6
Other operating costs	–82	–35
<b>Total</b>	<b>11</b>	<b>–138</b>

#### Of which, impairment losses/restructuring costs

SEK M	Impairment losses		Restructuring costs	
	2012	2011	2012	2011
Trelleborg Coated Systems	–	–	–	6
Trelleborg Industrial Systems	–3	–1	–68	–30
Trelleborg Offshore & Construction	–20	–5	–47	–57
Trelleborg Sealing Solutions	0	0	–26	–20
Trelleborg Wheel Systems	–	–	–	0
Group items	–	–1	–28	–30
<b>Total</b>	<b>–23</b>	<b>–7</b>	<b>–169</b>	<b>–131</b>

Impairment of non-current assets was conducted to the calculated value in use.

## Note 6

### Other operating income and expenses

SEK M	2012	2011
Compensation from insurance company	2	2
Rental revenue	43	11
Exchange-rate differences	47	49
Royalties	15	9
Government grants	9	3
Customer-/Supplier-related revenues	9	14
Sale of non-current assets	49	11
Sale of tools, prototypes, etc.	15	10
Sale of services	8	0
Other	56	41
<b>Total other operating income</b>	<b>253</b>	<b>150</b>
Rental revenue	–13	–23
Exchange-rate differences	–33	–11
Customer-/Supplier-related expenses	–4	–5
Sale/disposal of non-current assets	–52	0
Other	–6	0
<b>Total other operating expenses</b>	<b>–108</b>	<b>–39</b>
<b>Total Continuing operations</b>	<b>145</b>	<b>111</b>

## Note 7

### Share of profit or loss in associated companies

SEK M	Profit/loss before tax		Tax		Net profit/loss		Dividend received	
	2012	2011	2012	2011	2012	2011	2012	2011
TrelleborgVibracoustic <sup>4)</sup>	109	–	–32	–	77	–	–	–
Other associated companies <sup>4)</sup>	4	0	–1	0	3	0	2	1
<b>Continuing operations</b>	<b>113</b>	<b>0</b>	<b>–33</b>	<b>0</b>	<b>80</b>	<b>0</b>	<b>2</b>	<b>1</b>
Dawson Manufacturing Company	12	18	–4	–7	8	11	–	0
Roofing contractor	–	–6	–	0	–	–6	–	0
<b>Discontinued operations</b>	<b>12</b>	<b>12</b>	<b>–4</b>	<b>–7</b>	<b>8</b>	<b>5</b>	<b>–</b>	<b>0</b>
<b>Trelleborg Group</b>	<b>125</b>	<b>12</b>	<b>–37</b>	<b>–7</b>	<b>88</b>	<b>5</b>	<b>2</b>	<b>1</b>

<sup>4)</sup> Participations in TrelleborgVibracoustic are recognized on two lines in profit and loss: operating result and tax. For other associated companies, participations in profit/loss after tax are recognized on a single line in profit and loss: operating result.

SEK M	Receivables from associated companies		Liabilities to associated companies		Sales to associated companies		Operating income from associated companies	
	2012	2011	2012	2011	2012	2011	2012	2011
TrelleborgVibracoustic <sup>2)</sup>	905	–	116	–	54	–	25 <sup>3)</sup>	–
Other associated companies	0	2	0	–	3	12	–	0
<b>Continuing operations</b>	<b>905</b>	<b>2</b>	<b>116</b>	<b>–</b>	<b>57</b>	<b>12</b>	<b>25</b>	<b>0</b>
Dawson Manufacturing Company	–	5	–	–	–	21	–	10
<b>Discontinued operations</b>	<b>–</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>21</b>	<b>–</b>	<b>10</b>
<b>Trelleborg Group</b>	<b>905</b>	<b>7</b>	<b>116</b>	<b>–</b>	<b>57</b>	<b>33</b>	<b>25</b>	<b>10</b>

<sup>2)</sup> The Group has outstanding contingent liabilities to TrelleborgVibracoustic, refer also to Note 34.

<sup>3)</sup> Of which rental revenue SEK 16 M.

Company	Registered office	Share of equity, %	Assets		Liabilities	
SEK M			2012	2011	2012	2011
<i>Indirectly owned</i>						
TrelleborgVibracoustic	Germany	50	8,244	–	5,744	–
Other associated companies			72	75	51	54
<b>Continuing operations</b>			<b>8,316</b>	<b>75</b>	<b>5,795</b>	<b>54</b>
Dawson Manufacturing Company	USA	45	–	173	–	59
<b>Discontinued operations</b>			<b>–</b>	<b>173</b>	<b>–</b>	<b>59</b>
<b>Trelleborg Group</b>			<b>8,316</b>	<b>248</b>	<b>5,795</b>	<b>113</b>

Company	Shareholders' equity		Net sales		Profit/loss for the year		Carrying amount	
SEK M	2012	2011	2012	2011	2012	2011	2012	2011
<i>Indirectly owned</i>								
TrelleborgVibracoustic	2,500	–	10,295 <sup>4)</sup>	–	358 <sup>4)</sup>	–	2,860	–
Other associated companies	20	20	82	76	4	5	7	3
<b>Continuing operations</b>	<b>2,520</b>	<b>20</b>	<b>10,377</b>	<b>76</b>	<b>362</b>	<b>5</b>	<b>2,867</b>	<b>3</b>
Dawson Manufacturing Company	–	114	–	223	–	25	–	51
<b>Discontinued operations</b>	<b>–</b>	<b>114</b>	<b>–</b>	<b>223</b>	<b>–</b>	<b>25</b>	<b>–</b>	<b>51</b>
<b>Trelleborg Group</b>	<b>2,520</b>	<b>134</b>	<b>10,377</b>	<b>299</b>	<b>362</b>	<b>30</b>	<b>2,867</b>	<b>54</b>

<sup>4)</sup> Pertains to the legal entity of TrelleborgVibracoustic in which former Trelleborg units in Trelleborg Automotive are included for only the July-December 2012 period.

### Shares and participations in associated companies

SEK M	2012	2011
Balance, January 1	54	41
Acquisitions	2	1
Formation of TrelleborgVibracoustic <sup>5)</sup>	2,782	–
Divestments	–58	6
Dividend	–2	–1
Share of profit in associated companies – continuing operations	80	0
Share of profit in associated companies – discontinued operations	8	5
Translation differences	1	2
<b>Carrying amount, December 31</b>	<b>2,867</b>	<b>54</b>

<sup>5)</sup> An assessment of the carrying amount has been made. The transaction in its entirety did not have any significant impact on the Group's earnings.

## Note 8

### Expenses by nature

SEK M	2012	2011
Costs for raw materials, components, goods for resale and packaging material as well as energy and transport costs	-10,563	-10,426
Remuneration to employees	-6,049	-6,014
Depreciation/amortization and impairment losses	-707	-717
Other external costs related to sales, administration and research and development	-1,897	-1,893
Other operating income/expenses	304	100
Share of profit in associated companies	112	0
<b>Continuing operations</b>	<b>-18,800</b>	<b>-18,950</b>

## Note 9

### Exchange-rate differences impacting operating profit

SEK M	2012	2011
Net sales	13	17
Cost of goods sold	0	-6
Sales, administration and R&D costs	-5	-4
Other operating income/operating expenses	3	10
<b>Continuing operations</b>	<b>11</b>	<b>17</b>
Discontinued operations	-	-13
<b>Trelleborg Group</b>	<b>11</b>	<b>4</b>

## Note 10

### Government grants

SEK M	2012	2011
Grants received	6	6
<b>Continuing operations</b>	<b>6</b>	<b>6</b>
Discontinued operations	-	1
<b>Trelleborg Group</b>	<b>6</b>	<b>7</b>

## Note 11

### Financial income and expenses

Financial income		
SEK M	2012	2011
Interest income from interest-bearing receivables	39	15
Exchange-rate gains, net	10	16
<b>Total financial income, continuing operations</b>	<b>49</b>	<b>31</b>
Interest income from interest-bearing receivables	7	15
Exchange-rate gains, net	0	0
<b>Total financial income, discontinued operations</b>	<b>7</b>	<b>15</b>
<b>Total financial income</b>	<b>56</b>	<b>46</b>
Financial expenses		
Interest expenses on interest-bearing liabilities	-203	-195
Exchange-rate losses, net	0	0
<b>Total financial expenses, continuing operations</b>	<b>-203</b>	<b>-195</b>
Interest expenses on interest-bearing liabilities	-23	-42
Exchange-rate losses, net	-19	-18
<b>Total financial expenses, discontinued operations</b>	<b>-42</b>	<b>-60</b>
<b>Total financial expenses</b>	<b>-245</b>	<b>-255</b>
<b>Total financial income and expenses</b>	<b>-189</b>	<b>-209</b>

## Note 12

### Income tax

SEK M	2012	2011
<b>Current tax expenses</b>		
Tax expenses for the period	-564	-408
Adjustment of tax attributable to prior years	9	-7
<b>Total</b>	<b>-555</b>	<b>-415</b>
<b>Deferred tax expenses</b>		
Utilization/revaluation of losses carried forward	-29	-101
Deferred tax expenses/income on changes in temporary differences	116	-62
<b>Total</b>	<b>87</b>	<b>-163</b>
Other taxes	-20	-18
Tax attributable to TrelleborgVibracoustic	-32	-
<b>Total recognized tax expenses for continuing operations</b>	<b>-520</b>	<b>-596</b>
<b>Discontinued operations</b>		
<b>Current tax expenses</b>		
Tax expenses for the period	-49	-59
Adjustment of tax attributable to prior years	1	-8
<b>Deferred tax expenses</b>		
Utilization/revaluation of losses carried forward	7	23
Deferred tax expenses/income on changes in temporary differences	-2	13
Other taxes	-6	-15
<b>Total recognized tax expenses for the Group</b>	<b>-569</b>	<b>-642</b>
<b>Tax items recognized in other comprehensive income</b>		
Deferred tax on cash-flow hedges	-2	20
Deferred tax on hedging of net investments	-140	19
Deferred tax in translation differences	0	7
<b>Total</b>	<b>-142</b>	<b>46</b>
<b>Reconciliation of tax in the Group, continuing operations</b>		
Profit before tax	2,308	1,929
Calculated Swedish income tax, 26.3%	-607	-507
Impact of other tax rates on foreign subsidiaries	-14	-26
Non-deductible expenses/non-taxable revenue	90	-45
Amortization of goodwill in connection with divestment	8	7
Impact of changed tax rates and tax regulations	13	5
Reassessment of losses carried forward/temporary differences	2	-5
Tax attributable to prior years	8	-7
<b>Total</b>	<b>-500</b>	<b>-578</b>
Other taxes	-20	-18
<b>Recognized tax for continuing operations</b>	<b>-520</b>	<b>-596</b>

At year-end 2012, the Group had losses carried forward in continuing operations of approximately SEK 2,650 M (3,000), of which about SEK 1,700 M (2,000) was taken into account when calculating deferred tax. Losses carried forward not capitalized include cases where uncertainty exists regarding the tax value.

Of losses carried forward, SEK 77 M (71) falls due within the next five-year period.

## Note 13

### Non-controlling interests – profit and equity

SEK M	Share of profit for the year		Non-controlling interest Equity	
	2012	2011	2012	2011
Trelleborg Kunhwa Co. Ltd. <sup>1)</sup>	5	9	-	104
Trelleborg Sealing Solutions Korea <sup>2)</sup>	5	3	-	8
Investissement et Financiere de Bloch SAS	4	0	18	15
Etablissements Bloch SAS	-1	1	13	14
Other companies	2	6	4	25
<b>Trelleborg Group</b>	<b>15</b>	<b>19</b>	<b>35</b>	<b>166</b>

<sup>1)</sup> Included in TrelleborgVibracoustic from July 2012.

<sup>2)</sup> The company became a wholly owned subsidiary in 2012.

## Note 14

### Property, plant and equipment (PPE)

SEK M	2012	2011
Buildings	1,209	1,545
Land and land improvements	454	493
Plant and machinery	2,320	3,013
Equipment, tools, fixtures and fittings	395	394
New construction in progress and advance payments relating to PPE	531	513
<b>Total<sup>1)</sup></b>	<b>4,909</b>	<b>5,958</b>

<sup>1)</sup> The change between the years is largely attributable to the formation of the joint venture TrelleborgVibracoustic.

### Depreciation of property, plant and equipment by function

SEK M	2012	2011
Cost of goods sold	-552	-520
Selling expenses	-12	-12
Administrative expenses	-43	-44
R&D costs	-10	-9
Other operating expenses	-11	-8
<b>Continuing operations</b>	<b>-628</b>	<b>-593</b>
Discontinued operations	-90	-204
<b>Trelleborg Group</b>	<b>-718</b>	<b>-797</b>

### Impairment of property, plant and equipment by function

SEK M	Impairment losses		Reversed impairment losses	
	2012	2011	2012	2011
Cost of goods sold	-4	-2	7	-
Administrative expenses	-1	0	-	-
Other operating expenses	-24	-5	-	-
<b>Continuing operations</b>	<b>-29</b>	<b>-7</b>	<b>7</b>	<b>-</b>
Discontinued operations	-2	-7	-	8
<b>Trelleborg Group</b>	<b>-31</b>	<b>-14</b>	<b>7</b>	<b>8</b>

#### Leasing agreements

The Group has entered into financial and operating lease agreements. Non-current assets held under financial lease agreements are recorded as property, plant and equipment and future payment obligations are recognized as a financial liability.

Leasing costs for assets held through financial lease agreements amounted to SEK 0 M (1). Future lease payments for financial lease agreements fall due as follows:

SEK M	2012	2011
Year 1	2	3
Year 2-5	3	2
Later than 5 years	-	0

Leasing costs for assets held through operating lease agreements are classified as operating expenses, and amounted to SEK 128 M (141). Future payment commitments for non-cancelable lease agreements amounted to SEK 488 M (536) and fall due as follows:

SEK M	2012	2011
Year 1	107	127
Year 2-5	242	260
Later than 5 years	139	149

SEK M	Buildings		Land and land improvements		Plant and machinery		Equipment, tools, fixtures and fittings		New construction in progress and advance payments		Total PPE	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Accumulated cost	2,664	3,368	465	530	7,614	10,490	1,509	1,776	546	555	12,798	16,719
Accumulated depreciation according to plan	-1,138	-1,418	-25	-40	-5,202	-7,273	-1,096	-1,350	-13	-31	-7,474	-10,112
Accumulated revaluations	13	13	29	30	2	1	0	0	0	0	44	44
Accumulated impairment losses	-330	-418	-15	-27	-94	-205	-18	-32	-2	-11	-459	-693
<b>Carrying amount</b>	<b>1,209</b>	<b>1,545</b>	<b>454</b>	<b>493</b>	<b>2,320</b>	<b>3,013</b>	<b>395</b>	<b>394</b>	<b>531</b>	<b>513</b>	<b>4,909</b>	<b>5,958</b>
Balance, January 1	1,545	1,473	493	468	3,013	2,854	394	379	513	435	5,958	5,609
Acquisitions	36	51	54	-	74	126	56	22	23	1	243	200
Divested operations	-265	-12	-46	-7	-666	-34	-63	0	-142	-1	-1,182	-54
Capital expenditures	76	70	6	22	351	354	114	106	420	522	967	1,074
Capital expenditures, financial leasing	-	0	-	-	4	-	1	2	0	-	5	2
Divestments and disposals	-36	-7	-32	-2	-9	-18	-6	-9	2	0	-81	-36
Depreciation according to plan for the year	-102	-113	-1	-1	-497	-561	-118	-122	0	0	-718	-797
Impairment losses for the year	-4	-3	0	0	-27	-11	0	0	0	0	-31	-14
Reversed impairment losses	-	4	-	-	5	4	2	-	-	-	7	8
Reclassifications	15	75	1	16	193	300	33	20	-250	-439	-8	-28
Translation difference for the year	-56	7	-21	-3	-121	-1	-18	-4	-35	-5	-251	-6
<b>Carrying amount</b>	<b>1,209</b>	<b>1,545</b>	<b>454</b>	<b>493</b>	<b>2,320</b>	<b>3,013</b>	<b>395</b>	<b>394</b>	<b>531</b>	<b>513</b>	<b>4,909</b>	<b>5,958</b>

## Note 15

### Intangible assets

SEK M	2012	2011
Capitalized expenditure for development work	8	112
Capitalized expenditure for IT	79	106
Concessions, patents, licenses, trademarks and similar rights	337	343
Goodwill	8,329	9,874
Market and customer-related intangible assets	15	5
Advance payments related to intangible assets	56	17
<b>Total <sup>4)</sup></b>	<b>8,824</b>	<b>10,457</b>

<sup>4)</sup> The change between the years is largely attributable to the formation of the joint venture TrelleborgVibracoustic.

#### Impairment testing of goodwill

Goodwill and other assets are tested for impairment annually or more frequently if there are indications of a decline in value. This testing is based on defined cash-generating units matching the business areas applied in segment reporting. For a more detailed presentation of the Group's business areas, see pages 10-19.

The recoverable amount has been determined on the basis of calculations of value in use. These calculations are based on an internal assessment of the next five years and beyond with an assumed annual growth rate of 2 percent (2). Projected future cash flows according to these assessments form the basis for the calculation. Changes in working capital and in capital expenditure requirements have been taken into account. When calculating the present value of future cash flows, a weighted average cost of capital (WACC) of 8.2 percent (8.2) after tax was applied to all business areas since the risk profile is considered to be similar.

Reconciliation was conducted against an external assessment of a reasonable cost of capital. The debt/equity ratio was assumed to be 75 percent (65).

The calculations indicated no need for impairment in any of the business areas. A sensitivity analysis shows that, with a rate of growth reduced by 50 percent beyond the next five years and an increase in the cost of capital of 1 percentage point to 9.2 percent after tax, there would still be no need for impairment for any of the business areas.

### Impairment losses on intangible assets

SEK M	Impairment losses		Reversed impairment losses	
	2012	2011	2012	2011
R&D costs	–	0	0	0
Other operating expenses	0	–	0	1
<b>Continuing operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>
Discontinued operations	0	–	0	2
<b>Trelleborg Group</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>

### Goodwill by segment

SEK M	2012	2011
Trelleborg Coated Systems	993	864
Trelleborg Industrial Systems	972	1,219
Trelleborg Offshore & Construction	1,018	1,044
Trelleborg Sealing Solutions	4,876	5,174
Trelleborg Wheel Systems	449	468
Group items	21	22
<b>Continuing operations</b>	<b>8,329</b>	<b>8,791</b>
Discontinued operations	–	1,083
<b>Trelleborg Group</b>	<b>8,329</b>	<b>9,874</b>

SEK M	Internally generated intangible assets		Acquired intangible assets		Concessions, patents and licenses		Goodwill		Market and customer-related intangible assets		Advance payments related to intangible assets		Total intangible assets	
	Capitalized expenditure for development work		Capitalized expenditure for IT											
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Accumulated cost	28	627	376	524	604	616	8,887	10,387	40	31	56	17	9,991	12,202
Accumulated amortization according to plan	–20	–456	–297	–410	–264	–270	–201	–363	–25	–26	–	–	–807	–1,525
Accumulated impairment losses	0	–59	0	–8	–3	–3	–357	–150	–	–	–	–	–360	–220
<b>Carrying amount</b>	<b>8</b>	<b>112</b>	<b>79</b>	<b>106</b>	<b>337</b>	<b>343</b>	<b>8,329</b>	<b>9,874</b>	<b>15</b>	<b>5</b>	<b>56</b>	<b>17</b>	<b>8,824</b>	<b>10,457</b>
Balance, January 1	112	156	106	105	343	313	9,874	9,395	5	8	17	3	10,457	9,980
Acquisitions	–	–	0	1	25	25	89	469	10	–	–	–	124	495
Divested operations	–86	–	–20	0	–7	–	–1,269	–34	–	–	–	0	–1,382	–34
Capital expenditures	7	17	23	23	2	4	–	–	–	1	44	16	76	61
Divestments and disposals	–1	–1	–1	–2	–	0	–	–	–	–	–	–	–2	–3
Amortization according to plan for the year	–22	–59	–33	–39	–15	–11	–	–	–2	–4	–	–	–72	–113
Impairment losses for the year	0	–	0	0	–	–	0	–	–	–	–	–	0	0
Reversed impairment losses	–	–	–	–	–	–	–	3	–	–	–	–	0	3
Reclassifications	2	–	7	18	2	11	0	–	2	–	–5	–1	8	28
Translation difference for the year	–4	–1	–3	0	–13	1	–365	41	0	0	0	–1	–385	40
<b>Carrying amount</b>	<b>8</b>	<b>112</b>	<b>79</b>	<b>106</b>	<b>337</b>	<b>343</b>	<b>8,329</b>	<b>9,874</b>	<b>15</b>	<b>5</b>	<b>56</b>	<b>17</b>	<b>8,824</b>	<b>10,457</b>
<b>Amortization for the year, by function</b>														
Cost of goods sold	0	–	–9	–6	–2	–2	–	–	–1	–	–	–	–12	–8
Selling expenses	–	0	–2	–2	0	0	–	–	–1	–3	–	–	–3	–5
Administrative expenses	–	–	–19	–22	–9	–7	–	–	0	–1	–	–	–28	–30
R&D costs	–2	–6	0	–1	–2	–2	–	–	–	–	–	–	–4	–9
Other operating expenses	–	–	–	0	–1	0	–	–	–	–	–	–	–1	0
<b>Total amortization, continuing operations</b>	<b>–2</b>	<b>–6</b>	<b>–30</b>	<b>–31</b>	<b>–14</b>	<b>–11</b>	<b>–</b>	<b>–</b>	<b>–2</b>	<b>–4</b>	<b>–</b>	<b>–</b>	<b>–48</b>	<b>–52</b>
Discontinued operations	–20	–53	–3	–8	–1	0	–	–	–	–	–	–	–24	–61
<b>Trelleborg Group</b>	<b>–22</b>	<b>–59</b>	<b>–33</b>	<b>–39</b>	<b>–15</b>	<b>–11</b>	<b>–</b>	<b>–</b>	<b>–2</b>	<b>–4</b>	<b>–</b>	<b>–</b>	<b>–72</b>	<b>–113</b>



## Note 16

### Financial non-current assets

SEK M	2012	2011
Plan assets	73	29
Financial assets at fair value in profit and loss	25	32
Loan receivables	187	190
Derivative instruments (Note 23)	–	10
Other non-current receivables	57	38
<b>Total</b>	<b>342</b>	<b>299</b>

Carrying amount corresponds to fair value.

## Note 17

### Parent Company and Group holdings of shares and participations in Group companies <sup>1)</sup>

Company	Registration number	Domicile/ country	No. of shares	Own- ership percent	Carrying amount, SEK M
<b>Dormviltre AB</b>	556728-8716	Trelleborg	1,000	100	56
<b>Dormvilelva AB</b>	556853-1593	Trelleborg	1,000	100	0
<b>Dormviltolv AB</b>	556853-1619	Trelleborg	1,000	100	0
<b>Dormviltretton AB</b>	556853-1627	Trelleborg	1,000	100	0
<b>Dormvilforton AB</b>	556853-1486	Trelleborg	1,000	100	0
<b>Dormvilfemton AB</b>	556853-1635	Trelleborg	1,000	100	0
<b>Trelleborg Sealing Solutions Belgium SA</b>		Belgium	100	100	51
<b>Trelleborg do Brasil Soluções em Vedação Ltda</b>		Brazil	8,307,200	100	19
<b>Trelleborg Sealing Solutions Bulgaria EOOD</b>		Bulgaria	10,000	100	16
<b>Trelleborg Sealing Solutions Silcotech Bulgaria OOD</b>		Bulgaria	0	50	2
<b>Trelleborg Sealing Solutions Sizdimazlik Ltd</b>		Turkey	400	100	2
<b>Trelleborg Sealing Solutions Czech s.r.o</b>		Czech Republic	0	100	48
<b>Trelleborg Sealing Solutions Hong Kong Ltd</b>		China	484,675	100	1
<b>Trelleborg Sealing Solutions Hungary Kft</b>		Hungary	0	100	1
<b>Trelleborg Sealing Solutions o.o.o.</b>		Russia	0	100	2
<b>Trelleborg Sealing Solutions Korea Ltd</b>		South Korea	57,750	100	17
<b>Trelleborg Sealing Solutions Japan KK</b>		Japan	333	100	99
<b>Trelleborg Sealing Solutions Polska Sp. z o.o</b>		Poland	12,800	100	6
<b>Trelleborg Sealing Solutions Finland Oy</b>		Finland	15	100	75
<b>Trelleborg Sealing Solutions Switzerland SA</b>		Switzerland	1,000	100	47
<b>Trelleborg Sealing Solutions Stein am Rhein AG</b>		Switzerland	0	100	82
<b>Trelleborg Sealing Solutions Sweden AB</b>	556204-8370	Jönköping	2,500	100	167
<b>Lebela Förvaltnings AB</b>	556054-1533	Trelleborg	60,000	100	35
<b>Trelleborg Sealing Solutions Austria GmbH</b>		Austria	0	100	28
<b>Trelleborg Tigveni SRL</b>		Romania	700	100	8
<b>Trelleborg Tyres Lanka (Private) Ltd</b>		Sri Lanka	16,272,537	100	91
<b>Trelleborg Wheel Systems Liepaja SIA</b>		Latvia	8,502,000	100	106
<b>Trelleborg Wheel Systems Argentina S.A</b>		Argentina	1,850,000	100	5
<b>Chemtrading Alpha Holding AG</b>		Switzerland	100	100	3
<b>Trelleborg Holding Switzerland AG</b>		Switzerland	0	100	201
<b>Trelleborg Wheel Systems China Holdings AB</b>	556739-6998	Trelleborg	1,000	100	64
<b>Trelleborg Automotive Shanghai Holdings AB</b>	556742-8742	Trelleborg	1,000	100	10
<b>Trelleborg Industrial Products Finland Oy</b>		Finland	0	100	137
<b>MHT Takentreprenören i Malmö AB</b>	556170-2340	Malmö	1,000	100	0
<b>Trelleborg Automotive Czech Republic s.r.o</b>		Czech Republic	100,000	100	19
<b>Trelleborg Sealing Profiles Lithuania UAB</b>		Lithuania	100	100	3
<b>Trelleborg Corporation</b>		US	2,592	100	3,211
Trelleborg Coated Systems US Inc		US	1,000	100	
Trelleborg Engineered Systems Italy SpA		Italy	25,600,000	100	
Trelleborg Sealing Solutions US, Inc		US	7,500	100	
Trelleborg Offshore US Inc		US	1,000	100	
Trelleborg Wheel Systems Americas Inc		US	1,000	100	
Trelleborg Sealing Profiles US Inc		US	0	100	
<b>Trelleborg Croatia D.O.O</b>		Croatia	0	100	2
<b>Trelleborg Engineered Systems China Holding AB</b>	556223-5910	Trelleborg	1,000	100	11
<b>Trelleborg Engineered Systems Group AB</b>	556055-7711	Trelleborg	1,250	100	9
<b>Trelleborg Engineered Systems Qingdao Holding AB</b>	556715-4991	Trelleborg	1,000	100	146
<b>Trelleborg Holding AB</b>	556212-8255	Trelleborg	1,000	100	2,005
Trelleborg Sealing Profiles Sweden AB	556026-2148	Trelleborg	12,000	100	
Trelleborg Industrial Products Sweden AB	556048-3629	Örebro	15,000	100	
<b>Trelleborg Industrial AVS AB</b>	556020-2862	Sjöbo	500	100	5

Company	Registration number	Domicile/ country	No. of shares	Own- ership percent	Carrying amount, SEK M
<b>Trelleborg International AB</b>	556033-0754	Trelleborg	1,500	100	3,152
Trelleborg Sealing Solutions Germany GmbH		Germany	1	100	
Trelleborg Wheel Systems Germany GmbH		Germany	2	100	
Trelleborg Sealing Profiles Germany GmbH		Germany	1	100	
Trelleborg Wheel Systems Belgium NV		Belgium	11,075,114	100	
<b>Trelleborg Holding Danmark A/S</b>		Denmark	21,000	100	631
<b>Trelleborg Holding France SAS</b>		France	586,782	100	1,119
Trelleborg Industrie SAS		France	649,800	100	
Trelleborg Sealing Solutions France SAS		France	8,427	100	
Trelleborg Wheel Systems France SAS		France	9,060	100	
<b>Trelleborg Holdings Italy S.r.l</b>		Italy	0	100	1,163
Trelleborg Sealing Solutions Italia SpA		Italy	1,112,140	100	
<b>Trelleborg Holding Norge AS</b>		Norway	10,000	100	0
Trelleborg Offshore Norway AS		Norway	27,000	100	
<b>Trelleborg Holdings (UK) Ltd</b>		UK	20,000,000	100	2,987
Trelleborg Sealing Solutions UK Ltd		UK	10,050,000	100	
Trelleborg Industrial Products UK Ltd		UK	1	100	
Trelleborg Offshore UK Ltd		UK	41,590	100	
<b>Trelleborg Industri AB</b>	556129-7267	Trelleborg	725,000	100	197
<b>Trelleborg Insurance Ltd</b>		Bermuda	50,000	100	118
<b>Trelleborg International BV</b>		Netherlands	41	100	3,150
Trelleborg Pipe Seals Lelystad BV		Netherlands	30,000	100	
Trelleborg Wheel Systems Italia SpA		Italy	11,000	100	
<b>Trelleborg Marine Systems Japan KK</b>		Japan	20	100	2
<b>Trelleborg Material &amp; Mixing Lesina s.r.o.</b>		Czech Republic	0	100	12
<b>Trelleborg Moulded Components Wuxi Holding AB</b>	556715-4983	Trelleborg	1,000	100	29
<b>Trelleborg Treasury AB (publ)</b>	556064-2646	Stockholm	5,000	100	15,001
<b>Trelleborg Sävsjö AB</b>	556056-2620	Sävsjö	40,000	100	10
<b>Trelleborg Sealing Solutions Kalmar AB</b>	556325-7442	Kalmar	60,000	100	235
<b>Trelleborg China Holding AB</b>	556030-7398	Trelleborg	200,000	100	43
<b>TSS Silcotech Hong Kong Holding AB</b>	556742-8775	Trelleborg	1,000	100	3
<b>Trelleborg Forsheda AB</b>	556052-2996	Värnamo	8,640,000	100	643
<b>Total Parent Company</b>					<b>35,285</b>

<sup>1)</sup> The table shows directly owned subsidiaries and indirectly owned companies with annual sales exceeding SEK 250 M

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

## Note 18

### Deferred tax assets/tax liabilities

SEK M	2012			2011		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	9	270	-261	7	350	-343
Land and buildings	52	129	-77	63	156	-93
Machinery and equipment	125	122	3	132	153	-21
Financial non-current assets	3	19	-16	4	9	-5
Inventories	94	9	85	107	3	104
Current receivables	13	3	10	13	5	8
Pension provisions	77	9	68	109	14	95
Other provisions	62	29	33	45	29	16
Non-current liabilities	11	27	-16	24	0	24
Current liabilities	87	3	84	105	2	103
Losses carried forward	515	-	515	756	-	756
<b>Total</b>	<b>1,048</b>	<b>620</b>	<b>428</b>	<b>1,365</b>	<b>721</b>	<b>644</b>
Offsetting of assets/liabilities	-338	-338		-434	-434	
<b>Total</b>	<b>710</b>	<b>282</b>	<b>428</b>	<b>931</b>	<b>287</b>	<b>644</b>

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

### Change in deferred tax on temporary differences and losses carried forward

SEK M	Balance, January 1		Recognized in profit and loss		Recognized in other comprehensive income/directly against equity		Acquired/divested tax assets/liabilities		Translation differences		Balance, December 31, continuing operations	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Intangible assets	-343	-329	7	-10			58		17	-4	-261	-343
Land and buildings	-93	-84	12	-15			1	6	3	0	-77	-93
Machinery and equipment	-21	-34	9	12			13	1	2	0	3	-21
Financial non-current assets	-5	-4	86	-29	-140	27	44		-1	1	-16	-5
Inventories	104	77	-5	27			-8	0	-6	0	85	104
Current receivables	8	9	3	-1			-2	0	1	0	10	8
Pension provisions	95	97	13	-1			-36	-1	-4		68	95
Other provisions	16	41	21	-25			-1		-3		33	16
Non-current liabilities	24	11	-40	12					0	1	-16	24
Current liabilities	103	104	7	-20	-2	19	-18	-1	-6	1	84	103
Losses carried forward	756	835	-21	-79			-176	4	-44	-4	515	756
Exchange-rate differences				1						-1	0	0
<b>Total</b>	<b>644</b>	<b>723</b>	<b>92</b>	<b>-128</b>	<b>-142</b>	<b>46</b>	<b>-125</b>	<b>9</b>	<b>-41</b>	<b>-6</b>	<b>428</b>	<b>644</b>
Less discontinued operations			-5	-35								
<b>Continuing operations</b>			<b>87</b>	<b>-163</b>								

## Note 19

### Inventories

SEK M	2012	2011
Raw materials and consumables	909	1,257
Work in progress	405	560
Finished products and goods for resale	1,959	2,158
Contracted work in progress	0	4
Advances to suppliers	2	22
<b>Total</b>	<b>3,275</b>	<b>4,001</b>

Impairment of obsolete inventories amounted to SEK 278 M (311).

## Note 20

### Current operating receivables

SEK M	2012	2011
Accounts receivable	3,124	4,492
Provision for bad debts	-81	-102
Bills receivable	44	80
Operating receivables, associated companies	39	6
Other current receivables	374	506
Derivative instruments (Note 23)	9	22
Prepaid expenses and accrued income (Note 21)	483	512
<b>Total</b>	<b>3,992</b>	<b>5,516</b>

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

### Age analysis of accounts receivable

SEK M	2012	2011
Receivable not yet due	2,605	3,840
Due, but not impaired:		
<30 days	327	420
31-60 days	78	83
61-90 days	27	41
>90 days	87	108
<b>Total</b>	<b>3,124</b>	<b>4,492</b>
Provision for bad debts	-81	-102
<b>Total</b>	<b>3,043</b>	<b>4,390</b>

### Provision for bad debts

SEK M	2012	2011
Opening balance	102	95
New provisions recognized in profit and loss	37	26
Utilization of reserve attributable to identified bad debt loss	-21	-13
Reversals recognized in profit and loss	-13	-13
Divested operations	-22	0
Other	1	8
Translation difference	-3	-1
<b>Closing balance</b>	<b>81</b>	<b>102</b>

## Note 21

### Prepaid expenses and accrued income

SEK M	2012	2011
Interest	6	7
Pension costs	3	3
Tools	9	179
Derivative instruments (Note 23)	19	6
Accrued income	192	104
Prepaid insurance	35	29
Other	219	184
<b>Total</b>	<b>483</b>	<b>512</b>

## Note 22

### Interest-bearing receivables

SEK M	2012	2011
Loan receivables	49	41
Derivative instruments (Note 23)	136	90
Receivables from associated companies	888	–
Other financial assets at fair value in profit and loss	70	82
<b>Total</b>	<b>1,143</b>	<b>213</b>

The recognized amounts represent an accurate estimation of their fair value.

## Note 23

### Financial derivative instruments

Derivative instruments are used mainly to hedge the Group's exposure to fluctuations in exchange rates and interest rates. The Group also uses derivative instruments for proprietary trading within the framework of mandates set by the Board. In cases where available forms of borrowing do not meet the desired structure of the loan portfolio with regard to interest-rate and foreign-exchange considerations, various derivative instruments are used.

Currency swaps are used to secure the desired financing adapted to the subsidiaries' currencies. Interest-rate swaps, FRAs or other comparable instruments are used to obtain the desired fixed-interest terms.

Foreign-exchange forwards and currency options are financial derivative instruments used to hedge currency exposure in both fixed commercial undertakings and calculated future commercial flows.

Investments in foreign subsidiaries and associated companies may be hedged. Hedging is effected mainly through corresponding borrowing in the same currency, but may also be secured through forward/option contracts or basis swap contracts.

The table below shows where the Group's financial derivative instruments are recognized in the balance sheet.

Specification of derivatives in the balance sheet, SEK M	2012	2011
Financial non-current assets	–	10
Prepaid expenses and accrued income	19	6
Other current receivables	9	22
Interest-bearing receivables	136	90
<b>Total receivables, financial derivatives</b>	<b>164</b>	<b>128</b>
Other non-current liabilities	110	103
Accrued expenses and prepaid income	6	14
Other current liabilities	69	83
Interest-bearing liabilities	82	86
<b>Total liabilities, financial derivatives</b>	<b>267</b>	<b>286</b>

For credit exposure in derivatives, see Note 28.

SEK M	2012		2011	
	Assets Fair value	Liabilities Fair value	Assets Fair value	Liabilities Fair value
Interest-rate swaps – cash-flow hedging	–	177	0	170
Foreign-exchange forwards – cash-flow hedging	19	6	6	14
Foreign-exchange forwards – net investment hedging	85	4	37	18
Basis swap contracts – net investment hedging	20	–	26	–
Foreign-exchange forwards – financing of subsidiaries	40	79	40	65
Foreign-exchange forwards – held for trading purposes	–	1	19	19
<b>Total</b>	<b>164</b>	<b>267</b>	<b>128</b>	<b>286</b>

The nominal amount of interest-rate swaps outstanding totaled SEK 4,451 M (7,295).

### Derivatives with hedge accounting

#### Cash-flow hedging – Interest-rate swaps

In the closing balance of the hedging reserve in equity, a negative SEK 112 M (neg: 106) before tax relates to the fair value of interest-rate swaps.

At unchanged interest and exchange rates, this value will negatively impact earnings by SEK 2 M in 2013, by SEK 10 M in 2014, by SEK 72 M in 2015, by SEK 20 M in 2016, by SEK 4 in 2017 and by SEK 4 M in 2018.

#### Cash-flow hedges – forward currency contracts and currency options

The fair-value closing balance of cash-flow hedges relating to forward currency contracts and currency options recognized in the hedging reserve amounted to a negative net of SEK 9 M (neg: 7).

At unchanged exchange rates, this value will have a positive impact on operating profit by SEK 9 M in 2013.

### Sensitivity analysis – Financial instruments

Sensitivity analyses relating to interest-rate risks and translation exposure are presented in the section "Financial risks" on pages 41–43.

If cash-flow hedges related to transaction exposure were valued using exchange rates applicable on December 31, 2011, the fair value would amount to negative SEK 11 M (pos: 6), of which negative SEK 11 M (pos: 6) would be included in the hedging reserve.

If closing balances relating to accounts receivable and accounts payable, taking into consideration implemented hedging measures, were valued using exchange rates applicable on December 31, 2011, net debt would decrease by SEK 3 M (2).

Taking into account implemented hedging measures, the Group has no currency risk in other financial receivables and liabilities in foreign currencies.

## Note 24

### Cash and cash equivalents

SEK M	2012	2011
Current bank investments	3	0
Cash and bank balances	657	753
<b>Total</b>	<b>660</b>	<b>753</b>

For credit exposure in cash and cash equivalents, see Note 28.

## Note 25

### Discontinued operations

The amounts in 2012 relate to the units in Trelleborg Automotive (now part of TrelleborgVibracoustic), the Protective Products business unit and a French light-vehicle component operation. The amounts in 2011 relate to the roofing business unit (Waterproofing).

#### Analysis of results from discontinued operations

SEK M	2012	2011
<b>Net sales</b>	<b>3,975</b>	<b>8,107</b>
Cost of goods sold	–3,480	–7,214
<b>Gross profit</b>	<b>495</b>	<b>893</b>
Selling expenses	–72	–170
Administrative expenses	–107	–176
R&D costs	–148	–300
Other operating income	216	558
Other operating expenses	–39	–214
Share of profit in associated companies	8	5
<b>Operating profit</b>	<b>353</b>	<b>596</b>
Financial income	1	2
Financial expenses	–36	–47
<b>Profit before tax</b>	<b>318</b>	<b>551</b>
Tax	–49	–46
<b>Net profit</b>	<b>269</b>	<b>505</b>

Items recognized as other operating income for 2012 include capital gains from divestments of the Protective Products business unit and a French light-vehicle component operation. Capital gains from the sale of the roofing business unit were included in 2011.

Items affecting comparability of negative SEK 9 M (neg: 66) are including in operating profit.

For personnel costs/employee benefits, refer to Note 3.

## Note 26

### Equity

#### Specification of other reserves

SEK M	Hedging reserve		Translation reserve		Total	
	2012	2011	2012	2011	2012	2011
Opening balance, translation differences	–83	–29	–563	–533	–646	–562
Cash-flow hedging						
Fair value	0	–83			0	–83
Tax on fair value	0	22			0	22
Transfers to profit and loss	10	9			10	9
Tax on transfers to profit and loss	–2	–2			–2	–2
Changes for the year attributable to translation of companies after tax			–972	23	–972	23
Hedging of net investment after tax			396	–53	396	–53
<b>Closing balance</b>	<b>–75</b>	<b>–83</b>	<b>–1,139</b>	<b>–563</b>	<b>–1,214</b>	<b>–646</b>

Accumulated translation differences are recorded from January 1, 2004.

Of transfers from the hedging reserve to profit and loss during 2012, SEK 3 M (6) caused a decline in the Group's financial interest expenses and SEK 7 M (3) caused a decline in operating profit.

The Board of Directors and President propose that a dividend of SEK 3.00 (2.50) per share be paid for 2012, totaling SEK 813 M (678).

Trelleborg AB's share capital at December 31, 2012 amounted to SEK 2,620,360,569, distributed among 271,071,783 shares, with a par value of SEK 9.67 each.

Class of share	No. of shares	% of total	No. of votes	% of total
Serie A	28,500,000	10.51	285,000,000	54.02
Serie B	242,571,783	89.49	242,571,783	45.98
<b>Total</b>	<b>271,071,783</b>	<b>100.00</b>	<b>527,571,783</b>	<b>100.00</b>

Change in total number of shares	2012	2011
January 1	271,071,783	271,071,783
Change during the year	–	–
<b>December 31</b>	<b>271,071,783</b>	<b>271,071,783</b>

No treasury shares are held.

## Note 27

### Interest-bearing liabilities

#### Non-current interest-bearing liabilities

SEK M	2012	2011
Liabilities to credit institutions	4,920	5,428
Other interest-bearing liabilities	22	24
<b>Total</b>	<b>4,942</b>	<b>5,452</b>

#### Current interest-bearing liabilities

SEK M	2012	2011
Liabilities to credit institutions	1,939	2,029
Bank overdraft facilities	291	42
Liabilities to associated companies	101	–
Other interest-bearing liabilities	20	14
Derivative instruments (Note 23)	82	86
<b>Total</b>	<b>2,433</b>	<b>2,171</b>
<b>Total interest-bearing liabilities</b>	<b>7,375</b>	<b>7,623</b>

The recognized amounts for interest-bearing liabilities represent an accurate estimation of their fair value.

The Group's outstanding interest-bearing liabilities at year-end 2012, adjusted for any derivative financial instruments, have the following currency distribution, effective interest rates and fixed-interest terms

	Amount SEK M		Effective interest rate, %		Fixed-interest term adjusted for any derivatives. No. of days	
	2012	2011	2012	2011	2012	2011
SEK	–376	–571	0,3	3,4	1	–246
USD	2,190	2,076	2,3	2,9	455	470
EUR	4,367	4,350	2,0	3,0	291	491
GBP	604	929	2,3	2,7	687	436
Other	590	839	4,0	2,9	75	72
<b>Total</b>	<b>7,375</b>	<b>7,623</b>	<b>2,4</b>	<b>2,9</b>	<b>370</b>	<b>488</b>

#### The Group's interest-bearing liabilities (utilized amounts at closing date)

	2012		2011	
	SEK M	Expiry, year	SEK M	Expiry, year
<b>Non-current</b>				
Syndicated loan, EUR tranche EUR 750 M	1,078	2016	1,791	2016
Syndicated loan, USD tranche USD 625 M	2,062	2016	2,243	2016
Medium Term Note EUR 50 M	431	2018	–	–
Medium Term Note EUR 110 M	949	2017	985	2017
Bond, EUR 50 M	431	2015	448	2015
Other non-current loans	–31	2014–2016	–39	2013–2024
Other interest-bearing liabilities	22	2014–2015	24	2013–2015
<b>Total non-current liabilities</b>	<b>4,942</b>		<b>5,452</b>	
<b>Current</b>				
Commercial paper program	1,538	2013	1,900	2012
Overdraft facilities	291	2013	42	2012
Other current loans	401	2013	129	2012
Interest-bearing liabilities to associated companies	101	2013	–	–
Other interest-bearing liabilities	20	2013	14	2012
Derivative instruments	82	2013	86	2012
<b>Total current liabilities</b>	<b>2,433</b>		<b>2,171</b>	
<b>Total</b>	<b>7,375</b>		<b>7,623</b>	

#### Committed confirmed and uncommitted confirmed credit facilities

SEK M	2012			2011		
	Total	Utilized	Unutilized	Total	Utilized	Unutilized
<i>Committed confirmed credit facilities</i>						
Syndicated loan EUR 750 M + USD 625 M (expires 2016)	10,542	3,140	7,402	11,044	4,034	7,010
Overdraft facilities (expire 2013)	376	92	284	280	–	280
Bilateral credit facility (expired 2012)	–	–	–	18	9	9
Bilateral credit facility EUR 65 M (expired 2012)	–	–	–	582	–	582
<b>Total</b>	<b>10,918</b>	<b>3,232</b>	<b>7,686</b>	<b>11,924</b>	<b>4,043</b>	<b>7,881</b>
<i>Uncommitted confirmed credit facilities</i>						
Overdraft facilities	1,286	199	1,087	1,378	42	1,336

In addition to the above credit facilities, the Group also commanded unconfirmed credit facilities amounting to approximately SEK 873 M at year-end 2012.

The EUR 750 M and USD 625 M syndicated loan maturing in 2016 is subject to one financial covenant that stipulates a maximum debt/equity ratio. Per the end of 2012, there was ample headroom in relation to this covenant.

## Note 28

### Financial risk management

For a description of the Group's financial risks and policies regarding financial risks, see the "Financial risk" section on pages 41–43.

#### Financial credit risk exposure

The 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. 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 SEK 1,000 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 SEK 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 interest-bearing receivables, cash and cash equivalents and derivative instruments at December 31, 2012 subdivided by category (SEK M):

Category	Interest-bearing receivables		Cash and cash equivalents		Derivative instruments – unrealized gains, gross		Total	
SEK M	2012	2011	2012	2011	2012	2011	2012	2011
A	23	0	81	98	43	15	147	113
B	53	30	321	417	119	115	493	562
C	19	84	258	238	0	0	277	322
<b>Total</b>	<b>95</b>	<b>114</b>	<b>660</b>	<b>753</b>	<b>162</b>	<b>130</b>	<b>917</b>	<b>997</b>

Exposure in categories A and B was in line with the Treasury Policy. The total credit exposure in category C at year-end 2012 was divided among more than 40 counterparties. All credit exposures in category C amounted to less than SEK 50 M with one exception: SEK 94 M with Citibank (China) Co Ltd relating to the accumulated balance of the main account in the Chinese cash pool. The balance will be settled with Trelleborg-Vibracoustic at the start of February 2013.

Credit risk exposure associated with derivative instruments is determined as the fair value on the closing date. On December 31, 2012, the total counterparty risk associated with derivative instruments (calculated as net receivable per counterparty) was SEK 30 M (38), taking into account ISDA agreements. In addition to the amounts presented in the table above, the Group also has interest-bearing loan receivables of SEK 236 M (231) due from third parties and interest-bearing receivables of SEK 888 M (0) from associated companies.

None of these fully valuable financial assets were renegotiated in the past year, nor have they matured or been impaired. With the exception of what was described above, no credit limits were exceeded in 2012 or 2011 and the 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.

#### At December 31, 2012

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowing, incl. interest	–2,467	–5,263	–	–7,730
Interest-rate swaps with negative fair value	–67	–110	–	–177
Accounts payable	–2,016	–	–	–2,016
<b>Total</b>	<b>–4,550</b>	<b>–5,373</b>	<b>0</b>	<b>–9,923</b>
Accounts receivable	3,043	–	–	3,043
<b>Net flow</b>	<b>–1,507</b>	<b>–5,373</b>	<b>0</b>	<b>–6,880</b>

#### At December 31, 2011

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowing, incl. interest	–2,289	–6,114	–3	–8,406
Interest-rate swaps with negative fair value	–67	–103	–	–170
Accounts payable	–3,353	–	–	–3,353
<b>Total</b>	<b>–5,709</b>	<b>–6,217</b>	<b>–3</b>	<b>–11,929</b>
Accounts receivable	4,390	–	–	4,390
<b>Net flow</b>	<b>–1,319</b>	<b>–6,217</b>	<b>–3</b>	<b>–7,539</b>



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, 2012**

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
<i>Foreign-exchange contracts</i>				
–outflow	-14,285	–	–	-14,285
–inflow	14,243	–	–	14,243
<i>Basis swap contracts</i>				
–outflow	-262	–	–	-262
–inflow	283	–	–	283
<b>Total</b>	<b>-21</b>	<b>0</b>	<b>0</b>	<b>-21</b>

**At December 31, 2011**

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
<i>Foreign-exchange contracts</i>				
–outflow	-14,901	–	–	-14,901
–inflow	14,888	–	–	14,888
<i>Basis swap contracts</i>				
–outflow	-459	-271	–	-730
–inflow	509	325	–	834
<b>Total</b>	<b>37</b>	<b>54</b>	<b>0</b>	<b>91</b>

**Note 29****Financial instruments by category and measurement level**

A description of each category and the calculation of fair value are presented in the section "Accounting policies."

At December 31, 2012	Assets at fair value in profit and loss		Derivatives used for hedging purposes		Total SEK M
	Loan receivable and accounts receivable	Carrying amount	Measurement level	Carrying amount	Measure- ment level
<i>Assets in the balance sheet</i>					
Derivative instruments	–	40	2	124	2
Financial non-current assets	187	25	2	–	212
Accounts receivable	3,043	–	–	–	3,043
Interest-bearing receivables	937	70	2	–	1,007
Cash and cash equivalents	660	–	–	–	660
<b>Total</b>	<b>4,827</b>	<b>135</b>		<b>124</b>	<b>5,086</b>

At December 31, 2011	Liabilities at fair value in profit and loss		Derivatives used for hedging purposes		Total SEK M
	Other financial liabilities	Carrying amount	Measurement level	Carrying amount	Measure- ment level
<i>Liabilities in the balance sheet</i>					
Derivative instruments	–	80	2	187	2
Interest-bearing non-current liabilities	4,942	–	–	–	4,942
Interest-bearing current liabilities	2,433	–	–	–	2,433
Accounts payable	2,016	–	–	–	2,016
<b>Total</b>	<b>9,391</b>	<b>80</b>		<b>187</b>	<b>9,658</b>

The measurement of all financial assets and liabilities at fair value on the closing date was based on observable data (Level 2 in accordance with the fair-value hierarchy).

At December 31, 2011	Assets at fair value in profit and loss		Derivatives used for hedging purposes		Total SEK M
	Loan receivable and accounts receivable	Carrying amount	Measurement level	Carrying amount	Measure- ment level
<i>Assets in the balance sheet</i>					
Derivative instruments	–	59	2	69	2
Financial non-current assets	190	32	2	–	222
Accounts receivable	4,390	–	–	–	4,390
Interest-bearing receivables	41	82	–	–	123
Cash and cash equivalents	753	–	2	–	753
<b>Total</b>	<b>5,374</b>	<b>173</b>		<b>69</b>	<b>5,616</b>

At December 31, 2011	Liabilities at fair value in profit and loss		Derivatives used for hedging purposes		Total SEK M
	Other financial liabilities	Carrying amount	Measurement level	Carrying amount	Measure- ment level
<i>Liabilities in the balance sheet</i>					
Derivative instruments	–	84	2	202	2
Interest-bearing non-current liabilities	5,452	–	–	–	5,452
Interest-bearing current liabilities	2,171	–	–	–	2,171
Accounts payable	3,353	–	–	–	3,353
<b>Total</b>	<b>10,976</b>	<b>84</b>		<b>202</b>	<b>11,262</b>

## Note 30

### Non-interest-bearing liabilities

#### Other non-current liabilities

SEK M	2012	2011
Other non-interest-bearing liabilities	45	60
Derivative instruments (Note 23)	110	103
<b>Total</b>	<b>155</b>	<b>163</b>

#### Other current liabilities

SEK M	2012	2011
Advance payment from customers	181	185
Accounts payable	2,016	3,353
Bills payable	5	8
Liabilities to associated companies	15	0
Other non-interest-bearing liabilities	294	444
Derivative instruments (Note 23)	69	83
Accrued expenses and prepaid income (Note 33)	1,173	1,402
<b>Total</b>	<b>3,753</b>	<b>5,475</b>

<b>Total non-interest-bearing liabilities</b>	<b>3,908</b>	<b>5,638</b>
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Liabilities are recognized at amounts that correspond to fair value.

## Note 31

### Pension provisions and similar items

#### Specification of costs

SEK M	2012	2011
<b>Cost of defined benefit plans, continuing operations</b>		
Costs for services during current year	38	30
Interest on the obligation	49	48
Anticipated return on plan assets	-25	-26
Actuarial gains and losses recognized for the year	17	-8
Curtailment and settlement	-6	5
<b>Total cost of defined benefit plans, continuing operations</b>	<b>73</b>	<b>49</b>
Cost of defined contribution plans	154	136
<b>Total pension costs</b>	<b>227</b>	<b>185</b>

Total cost of defined benefit plans does not include SEK 17 M for discontinued operations in 2011. The corresponding cost for the holding period in 2012 is calculated at SEK 8 M, which is not included in pension costs for the year.

#### Change in pension liability in balance sheet

SEK M	Defined benefit plans	
	2012	2011
Opening balance	534	544
Net expenses recognized in profit and loss, continuing operations	73	49
Net expenses for divested operations	-	17
Benefit payments	-117	-80
Increase attributable to acquisitions	-	7
Decrease attributable to divestments	-185	-
Other changes	-	-1
Translation difference	-16	-2
<b>Closing balance</b>	<b>289</b>	<b>534</b>
of which, unfunded pension obligations	310	474
of which, funded pension obligations	46	89
of which, plan assets	-67	-29

Non-pension-related benefits, for example, medical benefits, after retirement comprise approximately 1.5 percent of the Group's total pension liability.

#### Specification of pension liability in the balance sheet

SEK M	2012	2011
<b>Defined benefit plans</b>		
Present value of funded obligations	1,204	1,546
Fair value of plan assets	-684	-750
<b>Total</b>	<b>520</b>	<b>796</b>
Unrecognized actuarial gains	14	51
Unrecognized actuarial losses	-245	-314
Other changes	0	1
<b>Total defined benefit plans</b>	<b>289</b>	<b>534</b>
<b>Defined contribution plans</b>	<b>7</b>	<b>20</b>
<b>Net pension liability</b>	<b>296</b>	<b>554</b>
of which, recognized as plan assets	73	29
<b>Closing balance, pension liability</b>	<b>369</b>	<b>583</b>

#### Change in defined benefit obligations

SEK M	2012	2011
Balance, January 1	1,546	1,395
Costs for services during current year	35	37
Interest on the obligation	49	62
Benefit payments	-76	-81
Payments from pension-plan participants	3	2
Actuarial gains/losses	29	73
Past service cost	-3	0
Increase attributable to acquisitions	0	56
Decrease attributable to divestments	-328	0
Curtailment	0	-8
Settlement	0	-2
Other changes	-2	-1
Translation difference	-49	13
<b>Obligations at year-end</b>	<b>1,204</b>	<b>1,546</b>

#### Change in fair value of plan assets

SEK M	2012	2011
Balance, January 1	750	697
Expected return on plan assets	25	32
Actuarial gains/losses	19	-35
Payments from the employer	117	80
Payments from pension-plan participants	3	2
Benefit payments	-76	-81
Increase attributable to acquisitions	0	49
Decrease attributable to divestments	-128	0
Curtailment and settlement	0	0
Other changes	-2	-1
Translation difference	-24	7
<b>Fair value of plan assets at year-end</b>	<b>684</b>	<b>750</b>

<b>Actual return on plan assets</b>	<b>45</b>	<b>-3</b>
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#### Composition of plan assets

SEK M	2012	%	2011	%
Equity instruments	251	36.7	281	37.5
Debt instruments	164	24.0	312	41.6
Properties	15	2.1	15	2.0
Other	254	37.2	142	18.9
<b>Total</b>	<b>684</b>	<b>100.0</b>	<b>750</b>	<b>100.0</b>

#### Sensitivity analysis – effect on 1-percent change in healthcare costs

SEK M	Increase	Decrease
Effect on costs for services and interest expense	0	0
Effect on defined benefit obligations	1	1

#### Important actuarial assumptions on the closing date, %

	US	UK	France	Sweden	Norway	Italy	Switzerland
Discount rate at December 31	4.12	4.25	3.00	3.00	3.80	3.00	1.90
Anticipated return on pension plan assets at December 31	4.12	4.25	-	3.00	3.80	-	1.90
Inflation	3.50	2.7-2.8	2.00	2.00	1.75	2.00	1.00
Future annual wage increases	3.50	-	1-3.5	3.00	3.25	3.00	1.00

#### Defined benefit plans

The Group has several defined benefit plans, whereby employees are entitled to post-employment benefits based on their final salary and length of service. The largest plans are in the U.S., the U.K., France, Sweden, Norway, Italy and Switzerland.

#### Pension insurance with Alecta

Retirement pension and family pension obligations for salaried employees in Sweden are secured through pension insurance with Alecta. According to a statement issued by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council (URA 42), this constitutes a multi-employer plan. For the 2012 fiscal year, the company did not have access to such information that would enable the company to record this plan as a defined benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is recorded as a defined contribution plan. The year's contributions for pension insurance taken out with Alecta total SEK 10 M (9). Alecta's surplus can be distributed to the policyholders and/or the insured. At December 31, 2011, Alecta's surplus corresponded to a collective consolidation ratio of 113 percent (146) – corresponding information for December 2012 is not yet available. The collective consolidation ratio reflects the market value of Alecta's assets as a percentage of insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not correspond with IAS 19.

## Note 32

### Other provisions

SEK M	Restructuring programs		Other provisions		Total	
	2012	2011	2012	2011	2012	2011
Opening balance	60	133	366	352	426	485
Reclassification	0	6	-12	-12	-12	-6
Reversals	-6	-20	-31	-24	-37	-44
Provisions for the year	83	55	166	208	249	263
Acquisitions for the year	-	-	-	6	-	6
Divestments	-6	0	-15	0	-21	0
Utilized during the year	-46	-114	-124	-164	-170	-278
Translation difference	-2	0	-11	0	-13	0
<b>Closing balance, Trelleborg Group</b>	<b>83</b>	<b>60</b>	<b>339</b>	<b>366</b>	<b>422</b>	<b>426</b>
Of which, non-current provisions					82	92
Of which, current provisions					340	334
Of which, provisions for environmental commitments					55	50

Closing balances for provisions for restructuring programs relate primarily to reorganizations and the focusing of operations in Trelleborg Offshore & Construction, Trelleborg Industrial Solutions and Trelleborg Sealing Solutions.

Other provisions relate to:

Provisions of varying sizes in a number of units for environmental commitments, guarantee provisions, insurance obligations and provisions for ongoing cartel investigations at subsidiaries in the U.S. and France.

## Note 33

### Accrued expenses and prepaid income

SEK M	2012	2011
Interest	24	30
Wages and salaries	501	623
Payroll overheads	120	136
Pension expenses	11	14
Tools	2	17
Derivative instruments (Note 23)	6	14
Other	509	568
<b>Total</b>	<b>1,173</b>	<b>1,402</b>

## Note 34

### Contingent liabilities and pledged assets

SEK M	2012	2011
<i>Contingent liabilities</i>		
Pension obligations	5	4
Guarantees and other contingent liabilities <sup>1)</sup>	46	2
<b>Total</b>	<b>51</b>	<b>6</b>
<i>Pledged assets</i>		
Plants and machinery	0	33
<b>Total</b>	<b>0</b>	<b>33</b>

Liabilities are recognized at amounts corresponding to fair value.

<sup>1)</sup> Pertains to TrelleborgVibracoustic SEK 44 M.

## Note 35

### Acquired and discontinued operations

#### 2012

#### Acquisitions

A number of acquisitions took place during the year and after the closing date, although none were of any significant natures, individually or collectively.

#### Printing blankets operation

Trelleborg acquired Printec, a printing blankets business of Day Brazil SA. The acquisition strengthens Trelleborg's leading position in the area of polymer-coated fabrics for use in offset printing. The operations are included in the Trelleborg Coated Systems business area.

#### Maine Industrial Tire Group

Maine Industrial Tire has production facilities in the U.S. and China. Annual sales amount to approximately SEK 600 M and approximately 650 people are employed in the companies. The acquisition strengthens Trelleborg's leading global position in industrial tires. The operations are included in the Trelleborg Wheel Systems business area.

#### Discontinued operations

The divestment of a light-vehicle components operation was completed during the first quarter. The divestment of a protective products operation was completed during the second quarter.

The antivibration solutions operation was transferred to the joint venture TrelleborgVibracoustic at the start of the third quarter.

Refer to Note 25 for further information.

## Note 36

### Events after the closing date

#### Acquisition of marine docking and mooring solutions operation

Trelleborg Offshore & Construction has signed an agreement for and finalized the acquisition of Sea Systems Technology Ltd. The company is predominantly specialized in the development of software and manufacture of emergency shutdown systems and other communications systems primarily used when carriers transporting liquefied natural gas (LNG) berth at terminals. Annual sales for 2012 are estimated to amount to approximately SEK 55 M. The acquisition broadens Trelleborg's product portfolio of berthing, docking and mooring solutions for harbors and ships.

#### Acquisition of industrial tire distributor

Trelleborg Wheel Systems has signed an agreement for and finalized the acquisition of the industrial tire operation from the Dutch company Industriebanden Beheer B.V. The operation specializes in the distribution and service of industrial tires, such as those fitted on forklifts. The acquisition strengthens and enlarges Trelleborg's European industrial tire distribution network.

# Parent Company, Trelleborg AB

## Income statements

SEK M	Note	2012	2011
Administrative expenses	37–38,42	–313	–355
Other operating income	39	221	229
<b>Operating loss</b>	<b>40–41</b>	<b>–92</b>	<b>–126</b>
Financial income and expenses	43	–652	524
<b>Profit/loss before tax</b>		<b>–744</b>	<b>398</b>
Appropriations	44	1,372	940
Tax	45	–88	4
<b>Net profit</b>		<b>540</b>	<b>1,342</b>

## Statement of comprehensive income

<b>Net profit</b>	<b>540</b>	<b>1,342</b>
<b>Total comprehensive income</b>	<b>540</b>	<b>1,342</b>

## Cash-flow statements

<i>Operating activities</i>		
Operating loss	–92	–126
<i>Adjustment for items not included in cash flow:</i>		
Depreciation of property, plant and equipment	3	2
Amortization of intangible assets	1	4
Divestments and disposals	0	1
Other items not included in cash flow	24	29
	<b>–64</b>	<b>–90</b>
Cash dividend received	320	1,089
Interest received and other financial items	24	30
Interest paid and other financial items	–899	–785
Tax paid	–2	0
<b>Cash flow from operating activities before changes in working capital</b>	<b>–621</b>	<b>244</b>
<i>Cash flow from changes in working capital</i>		
Change in operating receivables	–18	–1
Change in operating liabilities	32	–19
<b>Cash flow from operating activities</b>	<b>–607</b>	<b>224</b>
<i>Investing activities</i>		
Acquisition of subsidiaries/capital contribution	–1,053	–370
Divestment of subsidiaries	584	212
Acquisition of other shares/capital contribution	–2	–3
Gross capital expenditures for property, plant and equipment	–4	0
Gross capital expenditures for intangible assets	–1	–
Sale of non-current assets	2	1
<b>Cash flow from investing activities</b>	<b>–474</b>	<b>–160</b>
<i>Financing activities</i>		
Change in interest-bearing investments	82	960
Change in interest-bearing liabilities	1,677	–555
Dividend paid – shareholders of the Parent Company	–678	–474
<b>Cash flow from financing activities</b>	<b>1,081</b>	<b>–69</b>
<b>Cash flow for the year</b>	<b>0</b>	<b>–5</b>
<i>Cash and cash equivalents:</i>		
At January 1	0	5
<b>Cash and cash equivalents, December 31</b>	<b>0</b>	<b>0</b>



# Parent Company, Trelleborg AB

## Balance sheets

December 31, SEK M	Note	2012	2011
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	46	24	23
Intangible fixed assets	47	2	4
Financial non-current assets	48–49	35,744	34,732
Deferred tax assets	50	–	0
<b>Total non-current assets</b>		<b>35,770</b>	<b>34,759</b>
<i>Current assets</i>			
Current receivables	51	85	53
Interest-bearing receivables	52	2,102	597
Cash and cash equivalents		0	0
<b>Total current assets</b>		<b>2,187</b>	<b>650</b>
<b>TOTAL ASSETS</b>		<b>37,957</b>	<b>35,409</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>	53		
<i>Restricted equity</i>			
Share capital		2,620	2,620
Statutory reserve		1,130	1,130
<b>Total restricted equity</b>		<b>3,750</b>	<b>3,750</b>
<i>Non-restricted equity</i>			
Profit brought forward		9,049	8,385
Net profit for the year		540	1,342
<b>Total non-restricted equity</b>		<b>9,589</b>	<b>9,727</b>
<b>Total equity</b>		<b>13,339</b>	<b>13,477</b>
<b>Untaxed reserves</b>	44	<b>105</b>	<b>0</b>
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	56	33	29
Pension provisions and similar items	54	6	7
Deferred tax liabilities	50	3	0
Other provisions	55	9	9
<b>Total non-current liabilities</b>		<b>51</b>	<b>45</b>
<i>Current liabilities</i>			
Interest-bearing current liabilities	56	24,210	21,789
Tax liabilities		83	–
Other current liabilities	57–58	169	98
<b>Total current liabilities</b>		<b>24,462</b>	<b>21,887</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,957</b>	<b>35,409</b>
Contingent liabilities	59	8,134	8,634
Pledged assets	59	–	–

## Change in equity

Shareholders' equity SEK M	Restricted equity		Non-restricted equity		Total	
	2012	2011	2012	2011	2012	2011
Opening balance, January 1	3,750	3,750	9,727	8,859	13,477	12,609
<i>Changes for the year:</i>						
Dividend			–678	–474	–678	–474
Net profit for the year			540	1,342	540	1,342
<b>Closing balance, December 31</b>	<b>3,750</b>	<b>3,750</b>	<b>9,589</b>	<b>9,727</b>	<b>13,339</b>	<b>13,477</b>

See also Note 53.

## Note 37

### Employees and employee benefits

#### Average number of employees

	2012			2011		
	Women	Men	Total	Women	Men	Total
Sweden	16	25	41	26	43	69

#### Gender distribution in executive management positions, %

	2012	2011
Percentage of women in		
- executive positions	0	26
- on Board of Directors	29	29

### Employee benefits, other remuneration and payroll overheads

2012	Board and Pres- ident	Other members of Group Management	Other employees	Total salaries	Payroll overheads	of which, pension costs
SEK M						
Sweden	22	15	34	71	41	15

See also Note 3.

2011	Board, Execu- tive Vice President and President	Other members of Group Management	Other employees	Total salaries	Payroll overheads	of which, pension costs
SEK M						
Sweden	23	16	47	86	54	22

See also Note 3.

## Note 38

### Auditor's remuneration

SEK M	2012	2011
PricewaterhouseCoopers		
Audit assignment	5	3
Audit activities other than audit assignment	4	3
Tax consultancy services	1	3
Other services	6	0
<b>Total</b>	<b>16</b>	<b>9</b>

## Note 39

### Other operating income and operating expenses

SEK M	2012	2011
Sales of services to other Group companies	208	223
Sales of external services	11	4
Other	2	2
<b>Total other operating income</b>	<b>221</b>	<b>229</b>

## Note 40

### Expenses by nature

SEK M	2012	2011
Employee benefits	-112	-140
Depreciation/amortization	-4	-6
Other external costs	-197	-209
Other operating income/expenses	221	229
<b>Total</b>	<b>-92</b>	<b>-126</b>

## Note 41

### Exchange-rate differences that impact operating profit/loss

SEK M	2012	2011
Administration expenses	-1	-2
Other operating income/expenses	2	2
<b>Total</b>	<b>1</b>	<b>0</b>

## Note 42

### Depreciation of PPE and amortization of intangible assets

SEK M	2012	2011
Improvement expenses on buildings owned by others	-1	-1
Equipment, tools, fixtures and fittings	-2	-1
Capitalized expenditure for R&D and similar	-1	-4
<b>Total</b>	<b>-4</b>	<b>-6</b>

## Note 43

### Financial income and expenses

SEK M	2012	2011
Income from participations in Group companies		
Dividend	320	1,089
Impairment losses on shares in subsidiaries	-66	-
Gain/loss from divestment/winding-up of subsidiary	58	290
<b>Total</b>	<b>312</b>	<b>1,379</b>

#### Other interest income and similar profit items

Interest income, Group companies	27	29
Interest income, other	7	7
Exchange-rate differences	0	0
<b>Total</b>	<b>34</b>	<b>36</b>

#### Interest expenses and similar loss items

Interest expenses, Group companies	-965	-871
Exchange-rate differences	-33	-20
<b>Total</b>	<b>-998</b>	<b>-891</b>

#### Total financial income and expenses

	<b>-652</b>	<b>524</b>
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## Note 44

### Appropriations and untaxed reserves

SEK M	2012	2011
Appropriations		
Change in tax allocation reserve	-105	-
Group contributions received	1,686	1,093
Group contributions paid	-209	-153
<b>Total appropriations</b>	<b>1,372</b>	<b>940</b>
Untaxed reserves		
Tax allocation reserve, 2013 tax assessment	105	-
<b>Total untaxed reserves</b>	<b>105</b>	<b>-</b>

## Note 45

### Income tax

SEK M	2012	2011
Current tax expenses		
Tax expenses for the period	-85	-
Adjustment of tax attributable to prior years	0	0
Other tax	-1	0
<b>Total</b>	<b>-86</b>	<b>0</b>
Deferred tax expenses (-)/revenue (+)		
Deferred tax due to changed tax rates and other tax rules	1	-
Change in losses carried forward	-3	3
Deferred tax expenses/revenue on changes in temporary differences	0	1
<b>Total</b>	<b>-2</b>	<b>4</b>
<b>Total recognized tax expenses/revenue</b>	<b>-88</b>	<b>4</b>
Reconciliation of tax		
Profit/loss after financial items	-744	398
Calculated Swedish income tax, 26.3%	196	-105
Non-taxable dividends/income from shares in subsidiaries	99	363
Non-deductible impairment losses	-17	-
Other non-deductible expenses/non-taxable revenue	-5	-7
Change in tax allocation reserve	28	-
Group contributions received	-444	-287
Group contributions paid	55	40
Effect of change in tax rate on deferred tax	1	-
Tax attributable to prior years	0	0
Other tax	-1	0
<b>Total recognized tax expenses/revenue</b>	<b>-88</b>	<b>4</b>

The applicable tax rate is 26.3 percent (2011: 26.3 percent). Due to the change in Swedish corporation tax from 26.3 percent to 22 percent effective 2013, the carrying amounts of deferred tax have been recalculated using the new tax rate.

## Note 46

### Property, plant and equipment

SEK M	2012	2011
Improvement expenses on buildings owned by others	19	20
Equipment, tools, fixtures and fittings	5	3
<b>Total</b>	<b>24</b>	<b>23</b>

	Improvement expenses on buildings owned by others		Equipment, tools, fixtures and fittings		Total	
SEK M	2012	2011	2012	2011	2012	2011
<i>Accumulated cost</i>						
Balance, January 1	25	25	10	12	35	37
Capital expenditures			4	0	4	0
Divestments and disposals	–	–	–1	–2	–1	–2
<b>Accumulated cost, December 31</b>	<b>25</b>	<b>25</b>	<b>13</b>	<b>10</b>	<b>38</b>	<b>35</b>
<i>Accumulated depreciation according to plan</i>						
Balance, January 1	–5	–4	–7	–7	–12	–11
Divestments and disposals	–	–	1	1	1	1
Depreciation according to plan for the year	–1	–1	–2	–1	–3	–2
<b>Accumulated depreciation, December 31</b>	<b>–6</b>	<b>–5</b>	<b>–8</b>	<b>–7</b>	<b>–14</b>	<b>–12</b>
<b>Carrying amount</b>	<b>19</b>	<b>20</b>	<b>5</b>	<b>3</b>	<b>24</b>	<b>23</b>

Trelleborg AB has entered into operating lease agreements. Leasing costs for assets held via operating lease agreements are recognized as operating costs and amounted to SEK 2 M (2). Future payment for non-cancellable lease commitments amount to SEK 2 M (2) and fall due as follows:

SEK M	2012	2011
Year 1	1	1
Years 2–5	1	1
<b>Total</b>	<b>2</b>	<b>2</b>

## Note 47

### Intangible fixed assets

SEK M	2012	2011
Capitalized expenditure for development work and the equivalent	2	4
<b>Total</b>	<b>2</b>	<b>4</b>

	Capitalized expenditure for development work and the equivalent	
SEK M	2012	2011
<i>Accumulated cost</i>		
Balance, January 1	18	20
Capital expenditures	1	0
Divestments and disposals	–3	–2
<b>Accumulated cost, December 31</b>	<b>16</b>	<b>18</b>
<i>Accumulated amortization according to plan</i>		
Balance, January 1	–14	–11
Divestments and disposals	1	1
Amortization according to plan for the year	–1	–4
<b>Accumulated amortization, December 31</b>	<b>–14</b>	<b>–14</b>
<b>Carrying amount</b>	<b>2</b>	<b>4</b>

## Note 48

### Financial non-current assets

SEK M	2012	2011
Participations in Group companies (Note 17 and Note 49) <sup>1)</sup>	35,288	34,387
Receivables in Group companies	333	227
Loan receivables	108	105
Other non-current securities holdings	11	9
Other non-current receivables	4	4
<b>Total</b>	<b>35,744</b>	<b>34,732</b>

<sup>1)</sup> The difference between what is recognized in Note 49 and Note 17 pertains to transaction costs.

## Note 49

### Participations in Group companies

SEK M	2012	2011
Balance, January 1	34,387	34,027
<i>Add:</i>		
Acquisitions	13	289
Capital contributions	2,695	91
<i>Less:</i>		
Divestment/winding up	–1,741	–20
Impairment losses	–66	–
<b>Carrying amount, December 31</b>	<b>35,288</b>	<b>34,387</b>

See also Note 17.

## Note 50

### Change in deferred tax on temporary differences and losses carried forward

	Losses carried forward		Temporary differences:		Total deferred tax asset/liability	
SEK M	2012	2011	2012	2011	2012	2011
Balance, January 1	–3	0	3	4	0	4
<b>Recognized in profit and loss:</b>						
–Change in losses carried forward	3	–3			3	–3
–Temporary differences			0	–1	0	–1
<b>Recognized in other comprehensive income:</b>						
–Deferred tax on fair value, gains	0	0				
	<b>0</b>	<b>–3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>0</b>

See also Note 45.

## Note 51

### Current receivables

SEK M	2012	2011
Operating receivables, Group companies	43	11
Operating receivables, associated companies	9	–
Other current receivables	27	36
Prepaid expenses and accrued income	6	6
<b>Total</b>	<b>85</b>	<b>53</b>

Carrying amount corresponds to fair value.

## Note 52

### Interest-bearing receivables

SEK M	2012	2011
Financial receivables, Group companies	1,894	597
Financial receivables, associated companies	208	–
<b>Total</b>	<b>2,102</b>	<b>597</b>

Carrying amount corresponds to fair value.

## Note 53

### Shareholders' equity

SEK M	Restricted equity		Non-restricted equity		Total	
	2012	2011	2012	2011	2012	2011
Opening balance, January 1	3,750	3,750	9,727	8,859	13,477	12,609
Changes for the year:						
Dividend			-678	-474	-678	-474
Net profit for the year			540	1,342	540	1,342
<b>Closing balance, December 31</b>	<b>3,750</b>	<b>3,750</b>	<b>9,589</b>	<b>9,727</b>	<b>13,339</b>	<b>13,477</b>

Trelleborg AB's share capital at December 31, 2012 amounted to SEK 2,620,360,569, represented by 271,071,783 shares with a par value of SEK 9.67 each.

Class of shares	No of shares	% of total	No of votes	% of total
Series A	28,500,000	10.51	285,000,000	54.02
Series B	242,571,783	89.49	242,571,783	45.98
<b>Total</b>	<b>271,071,783</b>	<b>100.00</b>	<b>527,571,783</b>	<b>100.00</b>

See also Note 26.

## Note 54

### Provisions for pensions and similar

SEK M	2012	2011
Provisions for other pensions	6	7
<b>Total</b>	<b>6</b>	<b>7</b>

Pensions and similar costs amounted to SEK 15 M (22).

## Note 55

### Other provisions

SEK M	2012	2011
Provisions for long-term incentive program	8	8
Other provisions	1	1
<b>Total</b>	<b>9</b>	<b>9</b>

For further information, refer to Note 3.

## Note 56

### Interest-bearing liabilities

#### Interest-bearing non-current liabilities

SEK M	2012	2011
Other interest-bearing liabilities, Group companies	33	29
<b>Total</b>	<b>33</b>	<b>29</b>

#### Interest-bearing current liabilities

SEK M	2012	2011
Other interest-bearing liabilities, Group companies	24,210	21,789
<b>Total interest-bearing current liabilities</b>	<b>24,210</b>	<b>21,789</b>
<b>Total</b>	<b>24,243</b>	<b>21,818</b>

Liabilities are recognized at amounts corresponding to fair value.

## Note 57

### Other current liabilities

SEK M	2012	2011
Accounts payable	28	24
Operating liabilities, Group companies	90	15
Other non-interest-bearing liabilities	3	6
Accrued expenses and prepaid income (Note 58)	48	53
<b>Total</b>	<b>169</b>	<b>98</b>

Liabilities are recognized at amounts corresponding to fair value.

## Note 58

### Accrued expenses and prepaid income

SEK M	2012	2011
Wages and salaries	30	32
Payroll overheads	9	12
Other	9	9
<b>Total</b>	<b>48</b>	<b>53</b>

## Note 59

### Contingent liabilities and pledged assets

SEK M	2012	2011
<i>Contingent liabilities</i>		
Pension obligations	1	2
Guarantees and other contingent liabilities	8,133	8,632
<b>Total</b>	<b>8,134</b>	<b>8,634</b>
Of which, on behalf of Trelleborg Treasury AB	7,503	7,917
Of which, on behalf of other subsidiaries	587	713
<i>Pledged assets</i>	-	-

The Parent Company has issued guarantees for the subsidiary Trelleborg Treasury AB's operation. Of the obligations under these guarantees, direct loans accounted for SEK 7,002 M (7,409), the fair value of derivative instruments for SEK 266 M (286) and other contingent liabilities on the closing date for SEK 235 M (222).



## Proposed treatment of unappropriated earnings

The Board of Directors and the President propose that the profit brought forward from the preceding year, SEK 000s	9,049,016
and net profit for the year, SEK 000s	540,366
<b>Total, SEK 000s</b>	<b>9,589,382</b>

be distributed in the following manner:

<b>Dividend to shareholders of SEK 3.00 per share, SEK 000s</b>	<b>813,215</b>
balance to be carried forward, SEK 000s	8,776,167
<b>Total, SEK 000s</b>	<b>9,589,382</b>

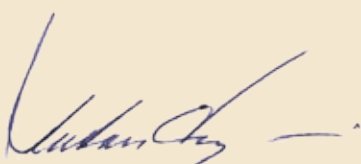
The proposed record date for the right to a dividend is April 29, 2013.

The members of the Board are of the opinion that the proposed dividend is justifiable considering the demands on the Group's equity imposed by the type, scope and risks of the business and with regard to the Group's consolidation requirements, liquidity and overall position.

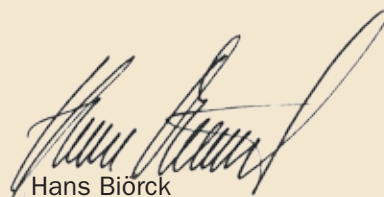
The Board of Directors and President affirm that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group's profit and financial position. The Annual Report has been prepared in accordance with the generally accepted accounting policies and provides a true and fair view of the Parent Company's profit and financial position.

The statutory 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.

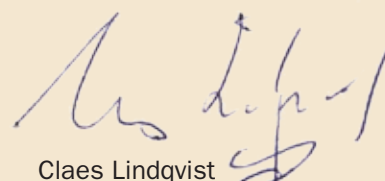
**Trelleborg, February 13, 2013**



Anders Narvinger  
Chairman



Hans Björck



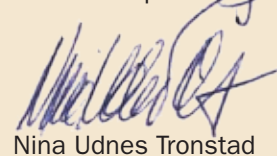
Claes Lindqvist



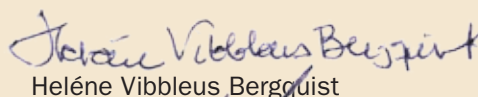
Sören Mellstig



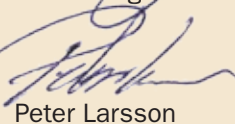
Bo Risberg



Nina Udnes Tronstad



Heléne Vibbleus Bergquist



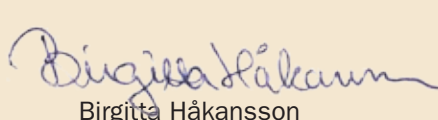
Peter Larsson



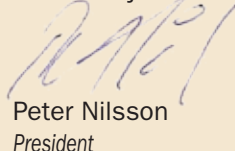
Karin Linsjö



Mikael Nilsson



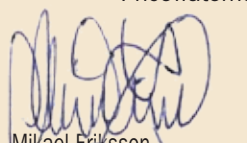
Birgitta Håkansson




Peter Nilsson  
President

Audit report submitted February 13, 2013

PricewaterhouseCoopers AB



Mikael Eriksson  
Authorized Public Accountant  
Auditor in charge



Eric Salander  
Authorized Public Accountant

## To the annual meeting of the shareholders of Trelleborg AB (publ)

### Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Trelleborg AB (publ) for the year 2012. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 4-20, 38-55 and 61-97.

#### **Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts**

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts and consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director 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.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinions**

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 the parent company as of 31 December 2012 and of its financial performance and its cash flows 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 2012 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, 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.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the Managing Director of Trelleborg AB for the year 2012.

#### **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, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act.

#### **Auditor's responsibility**

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

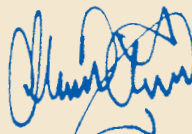
As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.


#### **Opinions**

We recommend to the annual 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.

Trelleborg February 13, 2013  
PricewaterhouseCoopers AB



Mikael Eriksson  
Authorized Public Accountant  
Auditor in charge



Eric Salander  
Authorized Public Accountant

# Ten-year Overview

<b>Trelleborg Group (SEK M unless otherwise stated) <sup>1)</sup></b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
<b>Continuing operations</b>										
Net sales	21,262	21,043	19,735	18,605	21,502	20,346	17,437	14,332	13,626	9,069
Operating profit	2,462	2,093	1,667	704	1,394	1,732	1,326	1,272	691	324
Profit before tax	2,308	1,929	1,501	393	1,017	1,469	1,182	1,154	513	308
Net profit	1,788	1,333	1,089	409	749	1,082	845	762	342	169
<b>Discontinued operations</b>										
Net sales	3,975	8,107	9,043	8,454	9,761	10,625	9,847	9,838	9,286	8,891
Operating profit/loss	353	596	285	69	-1,020	-25	181	507	1,200	884
Profit/loss before tax	318	551	231	-24	-1,183	-201	11	413	1,091	783
Net profit/loss	269	505	94	10	-1,007	-244	-79	415	1,044	551
<b>Total net sales</b>	<b>25,237</b>	<b>29,150</b>	<b>28,778</b>	<b>27,059</b>	<b>31,263</b>	<b>30,971</b>	<b>27,284</b>	<b>24,170</b>	<b>22,912</b>	<b>17,960</b>
<b>Total operating profit</b>	<b>2,815</b>	<b>2,689</b>	<b>1,952</b>	<b>773</b>	<b>374</b>	<b>1,707</b>	<b>1,507</b>	<b>1,779</b>	<b>1,891</b>	<b>1,208</b>
<b>Total profit/loss before tax</b>	<b>2,626</b>	<b>2,480</b>	<b>1,732</b>	<b>369</b>	<b>-166</b>	<b>1,268</b>	<b>1,193</b>	<b>1,567</b>	<b>1,604</b>	<b>1,091</b>
<b>Total net profit/loss</b>	<b>2,057</b>	<b>1,838</b>	<b>1,183</b>	<b>419</b>	<b>-258</b>	<b>838</b>	<b>766</b>	<b>1,177</b>	<b>1,386</b>	<b>720</b>
– shareholders in the Parent Company	2,042	1,819	1,162	409	-267	821	751	1,161	1,372	702
– non-controlling interests	15	19	21	10	9	17	15	16	14	18
Shareholders' equity	14,169	13,504	12,196	12,361	10,238	10,052	9,687	10,113	8,603	7,452
Capital employed, closing balance	19,464	19,574	18,091	19,755	22,238	19,853	18,818	16,922	15,112	15,810
Net debt	5,360	6,425	6,409	8,369	12,706	10,093	9,350	7,236	6,951	8,447
Total assets	27,150	28,691	27,314	29,539	33,763	29,334	27,557	24,960	22,152	22,856
Equity/assets ratio, %	52	47	45	42	30	34	35	41	39	33
Debt/equity ratio, %	38	48	53	68	124	100	96	72	81	111
Capital turnover rate, multiple	1.3	1.5	1.5	1.3	1.5	1.6	1.5	1.5	1.4	1.5
Investments in property, plant and equipment	967	1,075	792	754	1,367	1,215	980	689	841	572
Investments in intangible assets	76	61	47	72	159	121	132	184	170	115
Acquisitions	744	746	165	63	802	616	3,095	368	346	6,141
Discontinued operations	448	478	445	377	-276	-67	162	374	1,391	495
Return on shareholders' equity, %	14.9	14.3	9.5	3.6	neg	8.4	7.6	12.5	17.2	9.5
Earnings per share, SEK <sup>2)</sup>	7.55	6.70	4.30	1.70	-1.35	4.15	3.80	5.90	7.10	3.85
Free cash flow	1,714	675	806	1,366	656	711	926	576	239	450
Free cash flow per share, SEK <sup>2)</sup>	6.30	2.50	2.95	5.70	3.30	3.60	4.65	2.90	1.25	2.45
Dividend to shareholders in the Parent Company <sup>3)</sup>	813	678	474	136	-	587	542	497	449	404
Dividend per share, SEK <sup>3)</sup>	3.00	2.50	1.75	0.50	-	2.95	2.75	2.50	2.30	2.20
Shareholders' equity per share, SEK <sup>2)</sup>	52.15	49.20	44.55	45.30	51.20	50.10	48.35	50.70	43.05	40.30
Shareholders' equity per share after dilution, SEK <sup>2)</sup>	52.15	49.20	44.55	45.30	51.20	50.10	48.35	50.70	43.05	39.95
Average number of employees	16,702	20,274	20,042	20,073	24,347	25,158	22,506	21,694	21,675	15,855
– of which, outside Sweden	15,220	18,502	18,230	18,342	22,104	22,836	20,268	19,243	19,117	13,773
<b>Continuing operations excluding items affecting comparability and participations in TrelleborgVibracoustic <sup>4)</sup></b>										
Operating profit	2,342	2,231	1,840	1,021	1,996	1,958	1,518	1,270	1,252	544
Profit before tax	2,188	2,067	1,675	710	1,617	1,695	1,375	1,153	1,072	417
Net profit	1,643	1,436	1,225	632	1,289	1,260	1,033	759	733	279
Operating margin (ROS), %	11.0	10.6	9.3	5.5	9.3	9.6	8.7	8.8	9.2	6.0
Return on capital employed (ROCE), %	13.7	13.6	11.5	5.8	12.3	13.3	11.3	11.6	10.6	6.7
Return on shareholders' equity, %	11.9	11.2	10.0	5.6	12.8	12.9	10.5	8.2	9.2	3.8
Earnings per share, SEK	6.05	5.25	4.50	2.60	6.50	6.35	5.20	3.80	3.80	1.50
Operating cash flow	2,248	1,539	1,647	2,526	1,436	1,496	1,430	1,259	1,040	496
Operating cash flow per share, SEK	8.30	5.70	6.10	10.50	7.25	7.55	7.20	6.35	5.35	2.70
Operating cash flow/operating profit, %	96	69	90	247	72	76	94	99	83	91
Average number of employees	13,905	14,306	13,327	13,136	15,736	16,171	15,058	15,487	15,399	11,095
<b>Continuing operations including items affecting comparability and participations in TrelleborgVibracoustic</b>										
Return on shareholders' equity, %	12.9	10.4	8.9	3.6	7.4	11.1	8.7	8.2	4.3	3.8
Earnings per share, SEK	6.55	4.90	4.00	1.70	3.75	5.45	4.30	3.80	1.75	1.50

<sup>1)</sup> Figures for 2003 are reported in accordance with earlier accounting policies. Figures for 2004-2012 are reported in accordance with IFRS.

<sup>2)</sup> The average number of shares was adjusted in accordance with IAS 33. This calculation was applied to all key figures that include the number of shares.

<sup>3)</sup> Dividend in accordance with the proposed treatment of unappropriated earnings.

<sup>4)</sup> For comparability, historical values have been adjusted for discontinued operations and figures for 2003 are reported excluding goodwill amortization.

# Index

The overview below illustrates how GRI's guidelines, version 3.0, correspond to the various sections of Trelleborg's CR report. A more complete GRI index is available at the Group's CR website [www.trelleborg.com/cr](http://www.trelleborg.com/cr).

Text in bold denotes Core Indicators. Parentheses denote partially reported indicators. In addition, the table gives a general overview of the link to the UN Global Compact, to which Trelleborg is a signatory, and the connection to the ISO 26000 standard and the Carbon Disclosure Project.

	GRI indicators	Pages in the Annual Report	Connection to principles in UN Global Compact	Connection to ISO 26000	Connection to Carbon Disclosure Project
<b>Governance and reporting</b>					
Management approach and governance	Governance (EC), EN, LA, HR, SO, PR	1, 7, 24-25, 27-31, 34-35, 52-55, 60	1-10	6.2-6.8	
CEO's comments	1.1	2-3, 57		6.2	
Sustainability audit, sustainability-related impacts, risks and opportunities	1.2	7, 22-23, 36, 38-41, online		6.2	
Profile of organization	2.1-2.10	Cover, 1, 4-6, 8-20, 22-23, 25-28, 30-31, 36, 44-45, 69, 79-80, 84, 90, 102-103		6.2	
Report parameters, scope and boundary of the report	3.1-3.11	Cover, 34, 52-53, 57-58, 104-105, online			
Index for GRI, Global Compact & ISO 26000	3.12	36, 58, 100			
Assurance	3.13	57, 101		7.5.3	8.6
Governance of sustainability activities	4.1-4.9, (4.10), 4.11	7, 24-25, 29-31, 33, 38, 44-54, 57, 59	1-10	6.2, 7.5.3	1.1, 2.1, 2.2
External commitments	4.12-4.13	52, 53, 57, 59-60, 100	1-10	6.2	
Stakeholder dialog	4.14-4.17	58, 60		6.2	
<b>Environment</b>					
Material	(EN1), (EN2)	34-35	8-9	6.5	
Energy	EN3, EN4, EN5	29, 34	8	6.5	12.2, 12.3
Climate impact	EN16, (EN18)	34, 35	7-9	6.5	3.3, 7.2-7.4, 8.2-8.3, 8.5
Emissions and waste	EN20, EN22, EN23	35-36	8	6.5	
Transports	(EN29)	59	8	6.5, 6.6.6	8.2, 15.1
Water	(EN8)	35	8	6.5	
Biological diversity	(EN11), (EN12)	Online	8	6.5	
Products	(EN26), (PR1), (PR3)	31, 57, 59	1, 7-9	6.3, 6.5-6.7	3.2
<b>Workplace and society</b>					
Human rights	(HR2), (HR3), HR4, HR5, HR6, HR7	32-33, 59, online	1-6	6.3, 6.4, 6.6	
Working conditions and whistleblower policy	(LA1), (LA2), LA4, LA5	27, 32-33, 79	1, 3, 6	6.3.10, 6.4	
Diversity and gender equality	(LA13)	33	1, 6	6.3, 6.4	
Health and safety	LA6, LA7, (LA8)	29, 32-33, online	1	6.4, 6.8	
Talent Management	LA10, (LA12)	29, 32-33		6.4, 6.8	
Anticorruption, competition issues and fines	(S02), (S03), (S04), S07, S08	32-33, 52-53, 66, 91	10	6.6, 6.8.7	
Social commitment and position statement	S05	60	1-10	6.6, 6.8.3	
<b>Economics</b>					
Socio-economic performance	EC1, EC3, EC4	4, 8, 45, 60, 77, 82		6.8	
Total health and safety-related and environmental expenditures	(EN30)	34-36	7-9	6.5	
Opportunities and risks related to climate change	(EC2)	35, 38, online	7	6.5.5	5.1
Fines and sanctions for noncompliance	EN28	35	8	6.5	



# Assurance Report

## Auditor's Report on review of Sustainability Report

We have been engaged by the management of Trelleborg AB (publ) to review the Corporate Responsibility Report (Sustainability Report) for the year 2012. Our review mainly covers the disclosures on pages 7, 32-36, 56-60 and disclosures specified in the GRI Index on page 100 in the Trelleborg Annual Report 2012. The Board of Directors and Executive Management team are responsible for the company's activities regarding environment, health & safety, social responsibility, and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report based on our review.

### The scope of the review

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

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


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

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the information in the Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria.

Trelleborg February 13, 2013  
PricewaterhouseCoopers AB



Eric Salander  
Authorised Public Accountant



Fredrik Ljungdahl  
Expert Member of Far

# The World of Trelleborg

## Argentina

Market office: Buenos Aires

## Australia

Production: Brisbane, East Bentleigh, Melbourne  
Development unit: Brisbane  
Market offices: Brisbane, East Bentleigh, Melbourne, Perth, Sydney

## Austria

Market office: Vienna

## Belgium

Market offices: Brussels, Dion-Valmont, Evergem

## Brazil

Production: Jandira, Macaé, Santana de Parnaíba, São José dos Campos  
Market offices: Caxias do Sul, Lençóis Paulista, Macaé, Rio de Janeiro, Santana de Parnaíba, São Paulo, São José dos Campos

## Bulgaria

Production: Pernik  
Market office: Sofia

## Canada

Market office: Etobicoke

## China

Production: Huizhou, Qingdao, Shanghai, Wuxi, Xingtai  
Development units: Shanghai, Xingtai, Wuxi  
Market offices: Beijing, Chengdu, Guangzhou, Hong Kong, Huizhou, Qingdao, Shanghai, Wuhan, Wuxi, Xi'an

## Croatia

Market office: Zagreb

## Czech Republic

Production: Lesina  
Market offices: Rakovník, Prague

## Denmark

Production: Helsingør  
Development unit: Helsingør  
Market offices: Beder, Copenhagen

## Estonia

Production: Kuressaare

## Finland

Production: Kiikka  
Market offices: Espoo, Nokia, Sastamala, Vantaa

## France

Production: Cernay, Clermont-Ferrand, Condé-sur-Noireau, Lyon, Mirambeau, Nantes, Sancheville, Steinbach  
Development unit: Clermont-Ferrand  
Market offices: Cernay, Clermont-Ferrand, Compiègne, Lyon, Maisons-Laffitte, Sancheville, Rochefort

## Germany

Production: Grossheubach, Lathen  
Development unit: Stuttgart  
Market offices: Duisburg, Erbach/Odenwald, Grossheubach, Gärtringen, Lathen, Mettmann, Rheinberg, Stuttgart, Willich

## Hungary

Market offices: Budapest, Budaörs

## India

Production: Bengaluru  
Development units: Ahmedabad, Bengaluru  
Market offices: Ahmedabad, Bengaluru, Chandigarh, Chennai, Indore, Jamshedpur, Mumbai, New Delhi, Pune

## Indonesia

Market office: Jakarta

## Italy

Production: Livorno, Lodi Vecchio, Modena, Tivoli, Torino  
Development units: Livorno, Lodi Vecchio, Tivoli, Torino  
Market offices: Cuneo, Livorno, Lodi Vecchio, Milano, Sesto San Giovanni, Tivoli

## Japan

Development unit: Toyo Koto-ku  
Market offices: Kawasaki City, Tokyo, Toyo Koto-ku, Yokohama

## Latvia

Production: Liepaja

## Lithuania

Production: Tauragė

## Malaysia

Market office: Kuala Lumpur

## Malta

Production: Hal Far, Marsa  
Development unit: Hal Far

## Mexico

Production: Tijuana  
Market offices: Mexico City, Monterrey

## Netherlands

Production: Ede, Hoogeveen, Ridderkerk  
Development units: Ede, Ridderkerk  
Market offices: Apeldoorn, Barendrecht, Ede, Lelystad, Ridderkerk

## Norway

Production: Mjøndalen, Spydeberg  
Development unit: Mjøndalen  
Market offices: Leirdal, Mjøndalen, Oslo, Siggerud, Spydeberg, Stavanger

## Poland

Production: Bielsko-Biala, Czechowice-Dziedzice, Skoczow  
Market offices: Łódź, Warsaw



## Russia

Market office: Moscow

## Singapore

Production: Singapore  
Development unit: Singapore  
Market office: Singapore

## South Africa

Market offices: Johannesburg, Cape Town

## South Korea

Development unit: Gyeong San  
Market offices: Busan, Seoul

## Spain

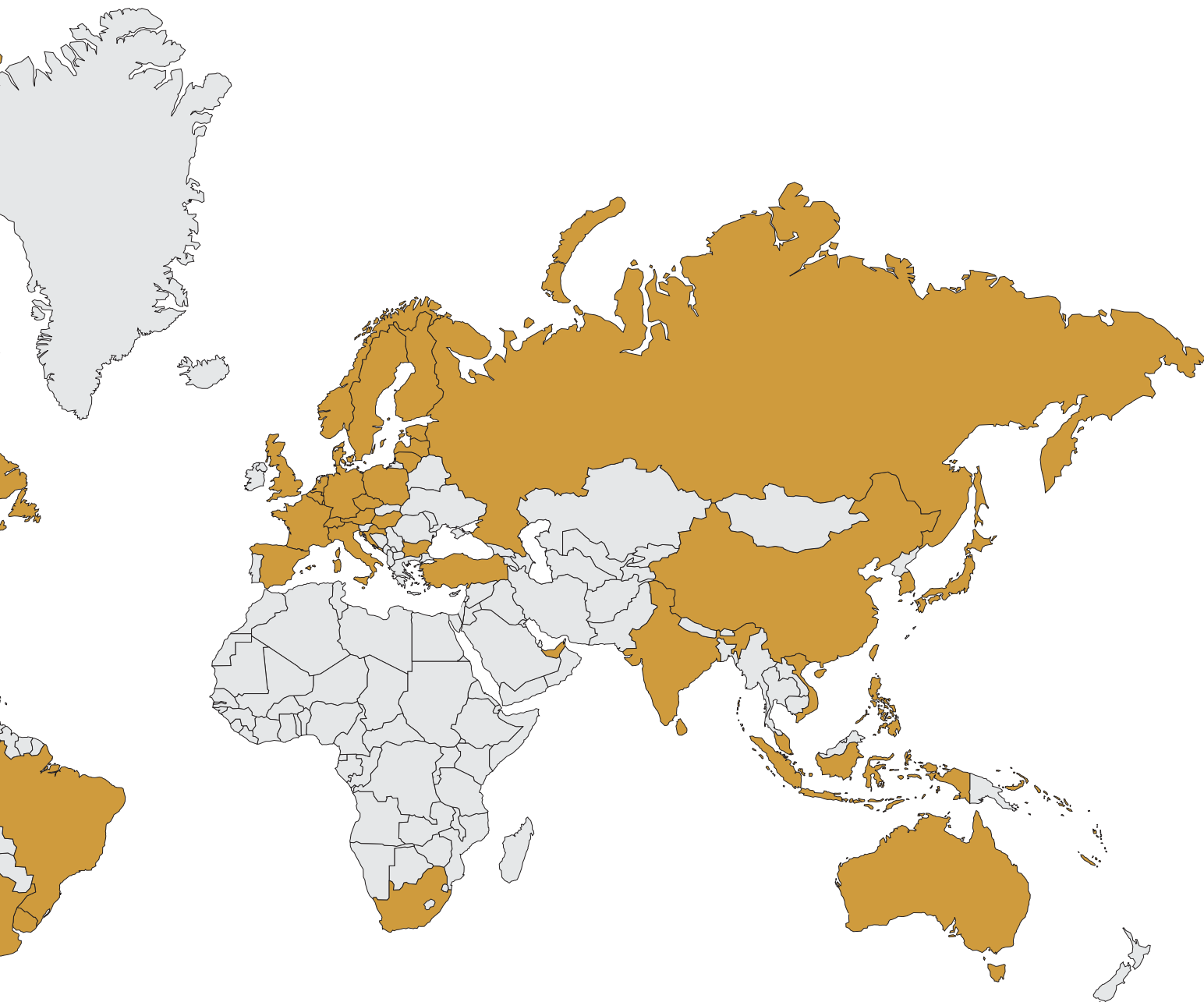
Production: Izarra, Pamplona, Santander  
Development unit: Izarra  
Market offices: Barcelona, Madrid

## Sri Lanka

Production: Kelanyia  
Development unit: Kelanyia

## Sweden

Production: Ersmark, Forsheda, Havdhem, Kalmar, Sävsjö, Trelleborg, Värnamo, Örebro  
Development units: Ersmark, Forsheda, Kalmar, Sävsjö, Trelleborg, Örebro  
Market offices: Jönköping, Kalmar, Trelleborg, Sävsjö, Värnamo, Örebro



### Switzerland

*Market offices:* Crissier, Stein am Rhein

### Taiwan

*Market office:* Taichung

### Turkey

*Production:* Şişli/Istanbul

### UK

*Production:* Bridgwater, Cadley Hill, Chester, Coventry, Knaresborough, Leicester, Middleton, Retford, Rotherham, Skelmersdale, Tewkesbury  
*Development units:* Bridgwater, Leicester, Malmesbury, Rotherham, Skelmersdale  
*Market offices:* Ashby de la Zouch, Bakewell, Brinkworth, Castle Donington, Coventry, Knaresborough, Leicester, Lydney, Malmesbury, Middleton, Rotherham, Skelmersdale, Solihull, Telford

### United Arab Emirates

*Market offices:* Dubai, Sebel Ali

### Uruguay

*Market office:* Montevideo

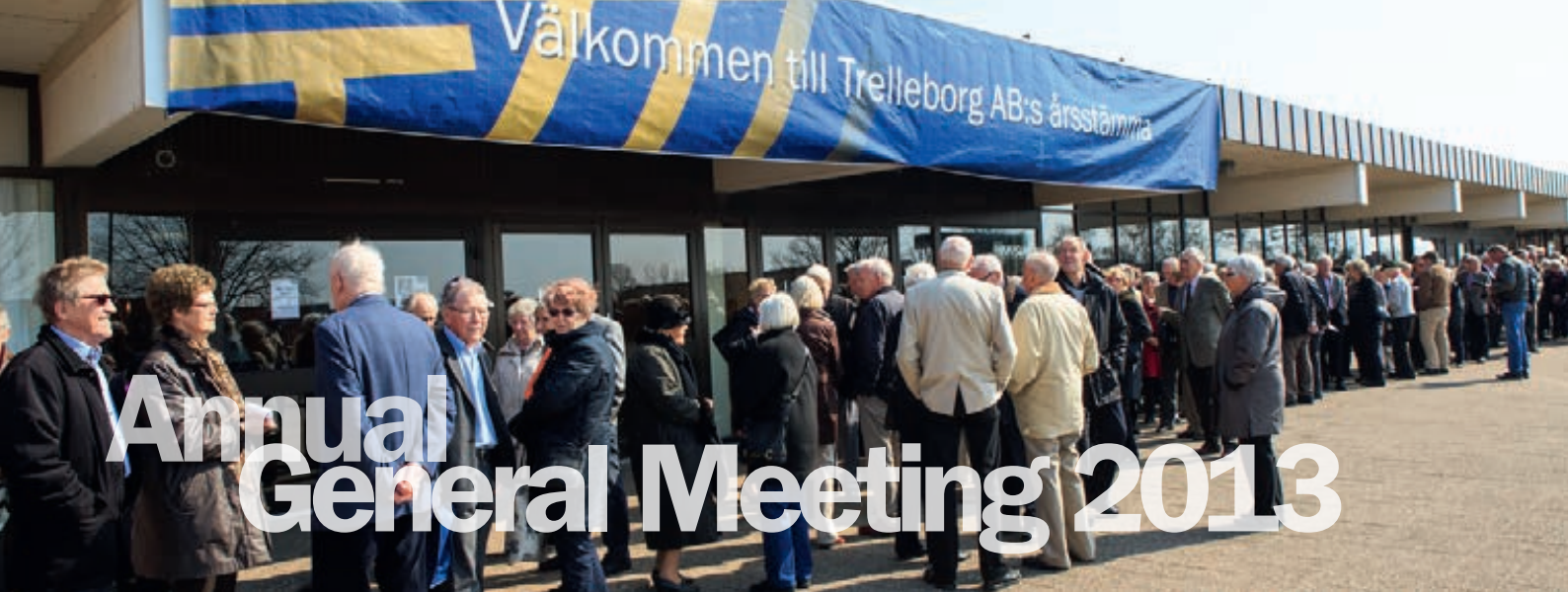
### US

*Production:* Aurora, Bristol, Broomfield, Clearbrook, Fairlawn, Fort Wayne, Hudson, Houston, Mansfield, Milford, Morristown, Northborough, Northville, Randolph, Red Lion, Rutherfordton, Salisbury, Spartanburg, Streamwood  
*Development units:* Broomfield, Fort Wayne, Northborough, Northville, Spartanburg, Streamwood  
*Market offices:* Aurora, Broomfield, Clearbrook, Colmar, Fairlawn, Fort Wayne, Fresno, Hanover Park, Houston, Mansfield, Milford, Morristown, Mt Juliet, North Charleston, Northville, Portland, Plymouth Meeting, Randolph, South Haven, Spartanburg, Torrance

### Vietnam

*Market office:* Ho Chi Minh City

*This list includes locations with Trelleborg units in January 2013. Refer also to <http://trelleborg.com/en/Contacts/Addresses/>*



# Annual General Meeting 2013

The Annual General Meeting of Trelleborg AB (publ) will be held on Wednesday, April 24, 2013, at 5:00 p.m. in Söderslätts hallen in Trelleborg, Sweden.

## Program

- 3:00 p.m. Registration and light refreshments
- 3:40 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 (formerly VPC AB) by Thursday, April 18, 2013, at the latest, and notify the company of their intention to participate – with any advisors – not later than 3:00 p.m. on the same date.

Shareholders whose shares have been registered in the name of a trustee, must have temporarily re-registered the shares in their own name not later than Thursday, April 18, 2013. 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](http://www.trelleborg.com)

- E-mail to: [anmalan.stamma@trelleborg.com](mailto:anmalan.stamma@trelleborg.com)

- Post to Trelleborg AB, Legal Department, PO Box 153, SE-231 22 Trelleborg, Sweden

- Telephone to: +46 (0)410-670 04 or 670 00

The notification should state the shareholder's full name, personal identity number and telephone number. If participation is supported by power of attorney, the power of attorney and – assuming the issuer of the power of attorney is a legal entity – documents proving the signatory's authorization must be sent to the company prior to the Meeting. The details provided will only be used in connection with the Meeting and for preparing the voting list.

**Proposals to the 2013 Annual General Meeting.** *Proposed dividend.* The Board of Directors and the President propose a cash dividend of SEK 3.00 (2.50) per share to be paid to the shareholders.

Monday, April 29, 2013 is proposed as the date of record. If the Meeting approves the proposal, the dividend is expected to be distributed by Euroclear Sweden on Friday, May 3, 2013.

**Board members.** The Nomination Committee, consisting of representatives of major shareholders who together control approximately 62 percent of the votes in Trelleborg AB, and the Chairman of the Board have decided to propose the following to the Annual General Meeting:

- re-election of Board members: Hans Biörck, Claes Lindqvist, Sören Mellstig, Peter Nilsson, Bo Risberg, Nina Udnes Tronstad and Heléne Vibbleus Bergquist,
- election of current Board member Sören Mellstig as new Chairman of the Board, and
- election of Jan Carlson as new Board member.

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[www.trelleborg.com](http://www.trelleborg.com)

## Annual Report

Trelleborg distributes a paper version of the Annual Report only to those who have specifically requested to receive 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 2013

Interim report, January – March	April 24
Annual General Meeting (Trelleborg)	April 24, 5:00 p.m.
Interim report April – June	July 23
Interim report July – September	October 23
Year-end report 2013	Feb 13, 2014



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– via Facebook: [www.facebook.com/trelleborggroup](http://www.facebook.com/trelleborggroup)



# Financial definitions

## Financial key figures

**Debt/equity ratio** Net debt divided by total equity.

**Earnings per share** Profit for the period, attributable to shareholders of the Parent Company, divided by the average number of shares outstanding.

**Earnings per share after dilution** Profit for the period, attributable to shareholders of the Parent Company, divided by the average number of shares outstanding plus the average number of shares added through the conversion of outstanding debentures and warrants.

**Equity/assets ratio** Total equity divided by total assets.

**Free cash flow** Operating cash flow and cash flow from financial items and tax and the effect of restructuring measures on cash flow.

**Free cash flow per share** Free cash flow divided by the average number of shares outstanding.

**Net debt** Interest-bearing liabilities less interest-bearing assets and cash and cash equivalents.

**P/E ratio** Market price divided by earnings per share.

**Return on shareholders' equity** Profit for the period, attributable to shareholders of the Parent Company, as a percentage of average shareholders' equity, excluding non-controlling interests.

**Yield** Dividend as a percentage of the market price.

## Operating key figures\*

**Average number of employees** Average number of employees during the year based on hours worked. Does not include insourced staff.

**Capital employed** Total assets less interest-bearing investments and noninterest-bearing operating liabilities (including pension liabilities) and excluding tax assets and tax liabilities.

**Earnings per share** Profit for the period, attributable to shareholders of the Parent Company, excluding items affecting comparability net after tax, divided by the average number of shares outstanding.

**EBITDA** Operating profit excluding depreciation and amortization of PPE and intangible assets, excluding items affecting comparability.

**EBITDA/Net interest income/expense** EBITDA divided by net interest income/expense (interest income less interest expenses).

**EBITDA margin** EBITDA excluding profit from participations in associated companies as a percentage of net sales.

**Equity method** Associated companies in the Group are recognized in line with the equity method, implying that the initial participation in the associated company is changed to reflect the Group's share in the associated company's profit or loss and for any dividends. For the Group's largest associated company, TrelleborgVibracoustic, the share in profit or loss is recognized on two lines in the income statement: Profit/loss before tax and tax.

**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, but excluding cash flow pertaining to restructuring.

**Operating cash flow/Operating profit** Operating cash flow as a percentage of operating profit, excluding items affecting comparability.

**Operating cash flow per share** Operating cash flow divided by the average number of shares outstanding.

**Operating margin (ROS – Return On Sales)** Operating profit excluding participations in the earnings of associated companies and items affecting comparability as a percentage of net sales.

**Operating profit** Operating profit as stated in the income statement excluding items affecting comparability.

**Rate of capital turnover** Net sales as a percentage of average capital employed.

**Return on capital employed (ROCE)** Operating profit divided by the average capital employed.

**Return on shareholders' equity** Profit for the period, attributable to shareholders of the Parent Company, excluding items affecting comparability, net after tax, divided by average shareholders' equity, excluding non-controlling interests.

**Western Europe** Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, the Netherlands, Norway, Portugal, Sweden, Switzerland, Spain, the UK.

\*) for continuing operations

## Glossary

**CDP** (Carbon Disclosure Project), an independent organization with the world's largest database of climate information. On behalf of global investors, the CDP gathers information regarding emissions of greenhouse gases by companies and organizations as well as the measures being taken by them to prevent a negative climate impact.

**CR** (Corporate responsibility), refers to the responsibilities of companies towards their key stakeholders, such as employees, shareholders, customers, suppliers, the local community and the environment. Often relates to the same areas encompassed by the term sustainability or Corporate Social Responsibility (CSR).

**Global Compact** UN initiative that unites companies and social institutions around ten universally applicable principles for environment and society. The aim is for companies to become members of society that are involved in developing solutions for challenges arising from increasing globalization.

**GRI** (Global Reporting Initiative), a global network in which community representatives, industries, investors and others cooperate to create and improve the approaches to sustainability reporting, on a consensus basis.

**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.

**Life science** A term that mainly encompasses biological and medical sciences, in addition to biochemistry, pharmacology and biotechnology, among others.

**NAFTA** (North American Free Trade Agreement), a free-trade agreement between Mexico, Canada and the U.S.

**OEM** (Original Equipment Manufacturer), the end producer of, for example, a tractor.

**Plastics** can be divided into two main groups. **Thermoplastics** are non-cross-linked plastics that are solid at room temperature but become soft and moldable when heated. **Hard plastics** are cross-linked plastics that disintegrate upon heating and do not regain their properties.

**Polymer** The word is derived from the Greek "poly," meaning "many" and "meros" meaning "parts." Polymers are made up of many small molecules – monomers – that are linked in long chains. Examples of polymers are plastics and rubber.

**Polymer technology** The technology relating to manufacturing processes for polymers in combination with their unique properties.

**REACH** (Registration, Evaluation and Authorization of Chemicals). The aim of the EU's REACH chemicals ordinance is to only permit the use of substances in the EU and EEA that are registered with the European Chemicals Agency.

**Safety@Work** A program of preventative measures to forestall injuries and illness at all of Trelleborg's workplaces. The program supports an organizational change to create a culture of safety and strengthens the Group's ability to attract, develop and retain employees in all its units.

## Addresses

### Head offices

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Tel: +46 8 440 35 00

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Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications in demanding environments. Its innovative engineered solutions accelerate performance for customers in a sustainable way. The Trelleborg Group has annual sales of about SEK 21 billion in over 40 countries. The Group comprises five business areas: Trelleborg Coated Systems, Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg Sealing Solutions and Trelleborg Wheel Systems. In addition, Trelleborg owns 50 percent of TrelleborgVibracoustic, a global leader within antivibration solutions for light and heavy vehicles, with annual sales of approximately SEK 14 billion in about 20 countries. The Trelleborg share has been listed on the Stock Exchange since 1964 and is listed on NASDAQ OMX Stockholm, Large Cap.

[www.trelleborg.com](http://www.trelleborg.com)