



■ High-performance solutions that seal, damp and protect in demanding environments

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Financial information

Interim reports, annual reports and T-Time, a magazine for all Group stakeholders, and other financial materials can be ordered from Trelleborg AB, Corporate Communications, Box 153, SE-231 22 Trelleborg, Sweden, Tel: +46 (0) 410-670 00, e-mail: info@trelleborg.com or at www.trelleborg.com.

A printed version of the Annual Report is sent to all who have requested a copy and is always available at www.trelleborg.com.



Change of address

Changes of address of physical persons who are registered as residents of Sweden are made automatically by VPC AB (the Swedish Securities Register Center).

Please note that shareholders who have chosen not to have their addresses updated automatically must themselves notify the account-operating institute. Shareholders whose holdings are registered in the name of a trustee should notify the trustee as soon as possible of any changes in their name, address or account number. A special form for such notification is available at banks.

Other shareholders must notify changes of address and changes of account number to VPC AB, Box 7822, SE-103 97 Stockholm, Sweden, Tel: +46 (0) 8-402 90 00.

Calendar

2008 Annual General Meeting	April 28
Three-month interim report	April 28
Six-month interim report	July 24
Nine-month interim report	October 28

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Your opinion is welcome

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



Trelleborg AB is a public limited liability company. Corporate identity number: 556006-3421. The Group's headquarters are in Trelleborg, Sweden. This is a translation of the company's definitive Annual Report for 2007 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 2006 fiscal year.

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

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



This symbol indicates that additional, related information is available at www.trelleborg.com

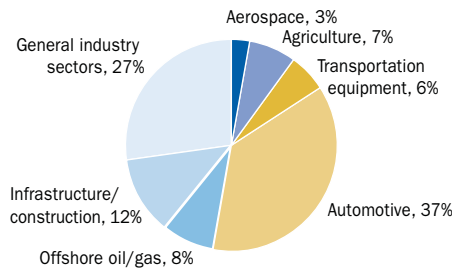


The Trelleborg Group's Annual Report 2006 was ranked one of 20 best in the world when research company e.com conducted its global annual survey. The Trelleborg Group also received a commendation in the Major Companies category in the Nordic Exchange's contest for "Best Annual Report 2006."

Trelleborg is a global engineering Group whose leading positions are based on advanced polymer technology and in-depth applications know-how. We develop high-performance solutions that seal, damp and protect in demanding industrial environments.

Trelleborg AB was founded in 1905 and its headquarters are located in Trelleborg, Sweden. Today, the Group has about 25,000 employees and operations in some 40 countries.

Sales 2007 per market segment, %



Enhanced focus on the Trelleborg brand supports global growth and profitability

The Trelleborg brand has existed for more than 100 years and today Trelleborg is well-known in a range of different market segments. The brand summarizes our promise and offering – innovative and reliable solutions that seal, damp and protect in demanding environments. Our promise is based on our vision, business concept and core values, and is created and maintained by everything that we do, by each employee, every day.

Trelleborg's brand strategy entails that Trelleborg is the master brand for the entire Group, supplemented with subsidiaries' brands that are targeted to specific customer segments. The aim of the strategy is also to strengthen the Trelleborg brand globally, to take advantage of synergies and to maximize the impact of our operations. In this manner, we drive long-term and profitable growth.

In the past year, the focus on the Trelleborg brand has been further strengthened through such activities as rationalizing the brand portfolio and enhancing emphasis on harmonizing all global communication.



Four business areas

Trelleborg Engineered Systems

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



Trelleborg Automotive

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



Trelleborg Sealing Solutions

Precision seals for the industrial, aerospace and automotive markets.



Trelleborg Wheel Systems

Tires and complete wheel systems for farm and forest machinery, forklift trucks and other materials-handling vehicles.



Leading market positions

● = ranked 1st to 3rd


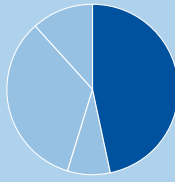
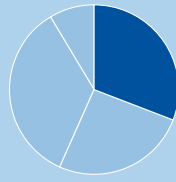
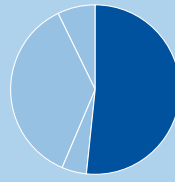
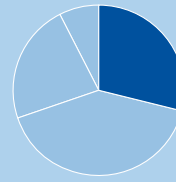
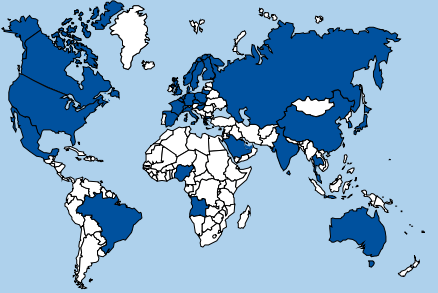
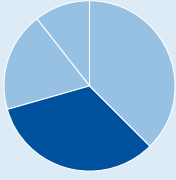
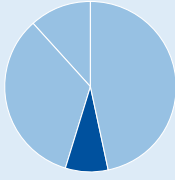
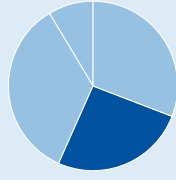
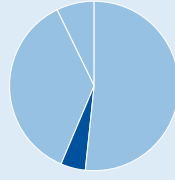
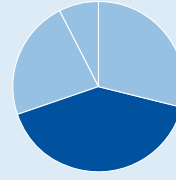
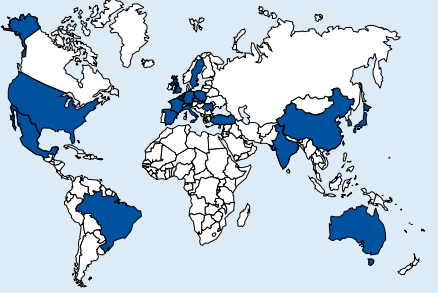

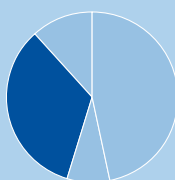
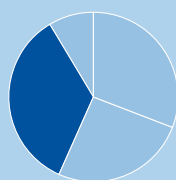
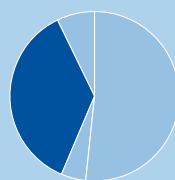
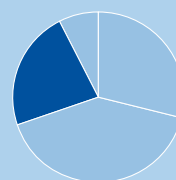

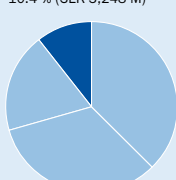
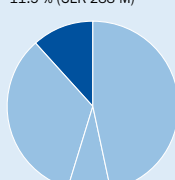
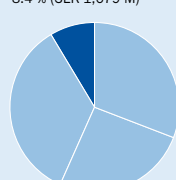
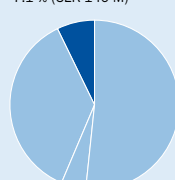
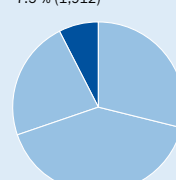

Product	EU	NAFTA	Global
Industrial hoses	●	●	●
Rubber sheetings	●	●	●
Marine fender systems	●	●	●
Dredging hoses	●	●	●
Tunnel seals	●	●	●
Chemical protective suits	●	●	●
Oil hoses	●	●	●
Polymer-coated fabrics	●	●	●
Industrial vibration damping	●	●	●
Polymer solutions for oil/gas	●	●	●
Printing blankets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

Product	EU	NAFTA	Global
Antivibration Solutions for the automotive industry	●	●	●
Brake shims	●	●	●
Vehicle boots	●	●	●
Engine cooling hoses	●	●	●

Product	EU	NAFTA	Global
Precision seals for the aerospace industry	●	●	●
Precision seals for the automotive industry	●	●	●
Precision seals for industrial applications	●	●	●

Product	EU	NAFTA	Global
Agricultural tires	●	●	●
Solid industrial tires	●	●	●

● = EU
 ● = NAFTA (North American Free Trade Agreement, US, Canada and Mexico)
 ● = Global

Share of net sales, Group*	Share of operating profit, Group*	Share of capital employed*	Share of operating cash flow*	Full-time employees at year-end	Geographic locations <i>Production and sales offices</i>
<p>37.7 % (SEK 11,745 M)</p> 	<p>46.8 % (SEK 1,168 M)</p> 	<p>30.8 % (SEK 6,201 M)</p> 	<p>51.8 % (SEK 1,071 M)</p> 	<p>28.9 % (7,420)</p> 	
<p>33.1 % (SEK 10,299 M)</p> 	<p>8.1 % (SEK 203 M)</p> 	<p>26.0 % (SEK 5,215 M)</p> 	<p>4.8 % (SEK 100 M)</p> 	<p>41.0 % (10,522)</p> 	
<p>18.8 % (SEK 5,844 M)</p> 	<p>33.6 % (SEK 839 M)</p> 	<p>34.8 % (SEK 6,975 M)</p> 	<p>36.3 % (SEK 751 M)</p> 	<p>22.6 % (5,783)</p> 	
<p>10.4 % (SEK 3,248 M)</p> 	<p>11.5 % (SEK 288 M)</p> 	<p>8.4 % (SEK 1,679 M)</p> 	<p>7.1 % (SEK 146 M)</p> 	<p>7.5 % (1,912)</p> 	

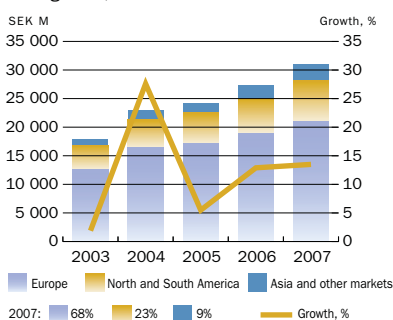
* Excluding Groupwide costs/items

2007:

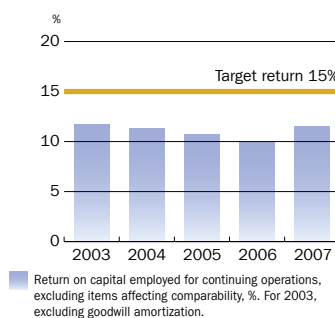
- **Net sales for the year rose by 14 percent** to SEK 30,971 M (27,284). Organic growth was 10 percent.
- **Operating profit rose 13 percent** to SEK 1,707 M (1,507) and net profit increased to SEK 838 M (766). Operating profit in continuing operations, excluding items affecting comparability, rose by 25 percent to SEK 2,274 M (1,820).
- **Proposed dividend** for fiscal year 2007: SEK 6.50 (6.00).
- **Operating cash flow** was SEK 1,718 M (1,594). Free cash flow amounted to SEK 518 M (905).

- **Operating margin** for continuing operations, excluding items affecting comparability, totaled 7.3 percent (6.7). EBITDA margin was 10.6 percent (10.1). The margin improvement was attributable to a continued focus on profitable segments and operational efficiency.
- **Acquisition of six complementary operations** that strengthens positions in selected segments.
- **Continued consolidation** of production capacity, decision regarding closure of eight plants and divestment of one operation.
- **Increased presence in growth markets** in the Baltic Region, Central Europe, Asia and South America.

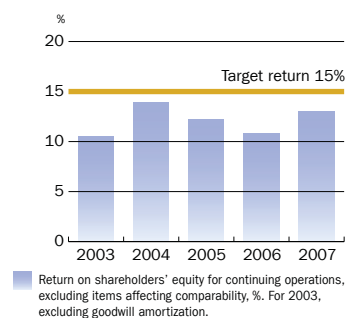
Net sales by geographical region and total growth, %



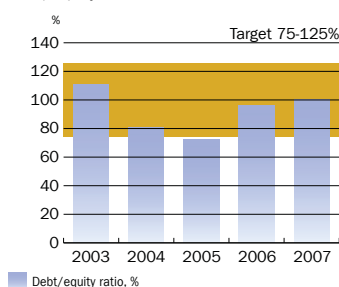
Return on capital employed



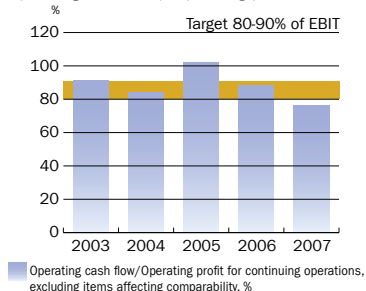
Return on shareholders' equity



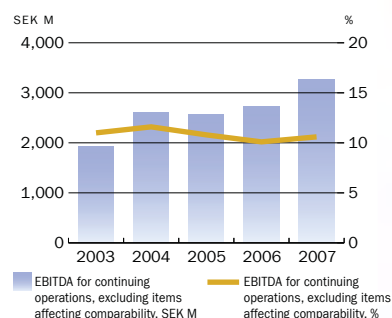
Debt/equity ratio



Operating cash flow / Operating profit, %



EBITDA





Favorable growth in 2007

Supported by a positive economic trend, we were able to improve our market positions and grow at a more rapid rate than our targets. Profits and profitability improved and three of four business areas are now in line with or above our target figures. We continued to invest and streamline the Group's structure at a high pace to strengthen our ability to deliver value to our customers, shareholders and other stakeholder groups. With a solid cash flow, a strong financial position and leading market positions in growing and profitable market niches, Trelleborg stands well prepared for the future.

Firstly, I would like to thank all of our customers, shareholders, employees and other partners in our business environment for the confidence shown in us during the year. You have all contributed toward ensuring that Trelleborg succeeded to a high degree in achieving the goals communicated in the 2006 Annual Report. It is now time to review our progress in relation to these goals.

Increased profitability through active portfolio management

In 2007, three of four business areas reported improved operating profit and operating margins, which contributed to an increase in operating profit in continuing operations, excluding items affecting comparability, of a full 25 percent to SEK 2,274 M. Profitability, measured as return on capital employed, totaled 11.5 percent, a substantial increase from 9.9 percent in 2006.

Naturally, this is the result of a number of positive circumstances during the year. But I would particularly like to emphasize the role played by our active portfolio management in our efforts to move toward segments with favorable structural growth.

To achieve leading positions in profitable and growing segments, we adhere to our *Up or Out* concept. It is a continuous process involving analysis, definition of market potential, decisions regarding whether to invest or exit, development and the identification of new segments. In this annual report, you can read more about what we are focusing on and what we have exited.

Stronger positions in priority segments

We have a long history of growing at a more rapid pace than our selected underlying markets. At Trelleborg, growth includes a structured process that we know as *Global Growth Initiatives*, according to which the business areas systematically drive growth in priority areas.

Organic growth for the year was 10 percent and sales increased by 6 percent as a result of structural changes. The increase in sales for comparable exchange rates amounted to 16 percent. Accordingly, in the most recent five-year period, we have increased the Group's average growth at a more rapid pace than the target of 8-10 percent annually over an economic cycle.

Continued focus on growth markets

Seldom has the world seen such welfare development as that experienced by several developing countries in recent years, with China at the forefront. This mega trend of increased demand is combined with the development of growth countries as production bases for the global economy. Accordingly, it has become one of our priorities to change the geographical sales and production balance in Trelleborg so that it better reflects the long-term shift in focus of the global economy. In recent years, we have significantly increased the share of sales outside Europe and we continue to expand in new growth markets. However,

I would like to emphasize that we also continued to enjoy excellent growth opportunities in Europe and North America and we are working hard to capitalize on these.

Improved margins through operational excellence

I am particularly pleased to report that our EBITDA margin improved from 10.1 percent to 10.6 percent in 2007. This is an important target figure for us and our shareholders and this encouraging development is primarily attributable to favorable demand and increased sales, in addition to the positive effects of our structuring and cost program, which we worked on during the year.

Operational efficiency relates to quality in all processes and continuous improvement of the operational structure. Streamlining of our operational structure is central in the creation of long-term growth and value for our shareholders.

Action program within Trelleborg Automotive

In recent years, Trelleborg Automotive has experienced profitability problems due in part to our dependence on the US automotive market, which has developed negatively for domestic manufacturers, and increased raw material costs.

In November 2006, we launched an action program involving a review of long-term strategic positions, cost rationalizations and an efficiency enhancement program entailing closure of plants and relocation of production. Significant costs were charged to earnings for the year. We estimate that the measures will gradually start to yield positive earnings effects from the end of 2008 and during 2009.

Target-oriented leadership

One of our most important principles is delegation, which reflects our belief that people grow with responsibility. This is why we are focusing on target-oriented leadership with clear goals and rewards that reflect performance. This is a cornerstone in our business model according to which we endeavor to achieve close proximity to customers, a focusing of the operation and the development of entrepreneurship.

During the year, we worked to strengthen the conditions and the platform upon which we will now refine and systemize our recruitment processes and develop our employees and managers. Meanwhile, we continued to emphasize our common corporate culture and values.

“Three of four business areas reported **improved operating profit and operating margins.**”

Dividend of SEK 6.50 per share

The summary on the preceding page largely reflects the management's agenda and the business in 2007. Once again, we have created resources for favorable dividends to our shareholders. The dividend proposed by the Board of SEK 6.50 per share corresponds to a total of SEK 587 M. This means that approximately 71 percent of profit after tax for fiscal 2007 will be distributed. We continue our efforts to create long-term value for our shareholders.

Before I turn my attention to the future, I would like to comment on two other events during the year.

Competition investigation

Two employees in our French company pleaded guilty to cartel arrangements in the area of marine hoses; a minor operation with sales of about SEK 250 M. Trelleborg has a clear policy regarding compliance with applicable competition regulations. The offence that was established is serious and completely unacceptable. Accordingly, the Board and management launched an initiative to significantly reinforce and support an already clear set of rules involving information and training regarding its content and application.

Trelleborg is cooperating with the competition authorities in the ongoing investigation. It is still impossible to accurately assess the financial impact that may result. The highly uncertain assessment announced in June 2007 stands firm regarding a potential combined financial impact that could reach amounts corresponding to a predominant proportion of the Group's pre-tax profits for 2006.

Assuming responsibility in a broad perspective

In 2007, a dominating theme in public debate was the climate issue and the sharp rise in interest concerning the social and environmental responsibility of the business community. These are issues that have a high priority at Trelleborg, not because we are forced to, but because it is smart from a commercial perspective. People, the young generation in particular, and companies increasingly make financial choices based on long-term sustainability. In 2007, Trelleborg joined the UN's Global Compact initiative, we were accepted for inclusion in the Dow Jones Stoxx Sustainability Index and launched our new Code of Conduct, which is based on international conventions and agreements in the corporate responsibility area.

“Product development is important and this is why innovation has been assigned a higher strategic priority.”

Strategies for continued growth

As the world's economy now heads toward uncertain times, there is considerable security and strength to be found in well-prepared and established strategies. These are based on a number of mega trends in our external environment and have been developed to capitalize on the business opportunities that generate maximum return for us in terms of growth and profitability. Pages 12-21 contain a more detailed presentation.

Growth is the focal point of our main strategy to have a leading position in selected segments. To achieve this, we primarily focus on organic growth, an area in which we had a gratifying but challenging result of 10 percent for 2007. Proprietary product development is important and this is why innovation has been assigned a higher strategic priority. In 2008, we will invest strength and resources on developing a more innovative culture, which largely involves encouraging the inquisitiveness of individuals and their desire to challenge the status quo and change.

Global scope

In parallel with this effort, we will further strengthen conditions and cooperation between the business areas in research and development. This involves the entire chain from fundamental materials expertise to applications and specific solutions for customers. Integration with the customers' own product development will become increasingly significant from a strategic perspective in pace with the move by customers to concentrate cooperation to partners with broad and in-depth expertise and a global span, and Trelleborg is one of the few companies in the industry that can meet these criteria.



We will also pursue Group-wide projects to create increased sales for customers by offering a broad spectrum of products or contributing to technology development in a coordinated manner. The Global Growth Initiative is being expanded and replenished with new activities. These will encompass geographic expansion, new products/solutions and new market segments. We will continue to systematically work our way into new, rapidly growing markets through customer activities, cooperation and establishments in selected segments.

Acquisitions and divestments

Trelleborg is also a company with a focus on acquisitions. During the past two years, we concluded no less than 17 acquisitions, of which six were minor acquisitions completed in 2007. We have all the necessary qualities to conduct successful acquisitions. This is partly due to the often poor level of consolidation in our industries and to our significant experience and resources in terms of acquiring and integrating companies. Recently, acquisition prices have been high and it is possible that the change of pace in the economy may contribute to making many objects on our "wish list" more accessible in the future. The financial opportunities for acquisitions remain favorable. I believe that we have a solid capital structure. Our debt/equity ratio of 100 percent is right in the center of our target interval and is a reasonable level in view of the good underlying cash flow. Acquisitions are a part of our focus on attractive areas. But focusing also involves exiting. In line with our struc-

"We will put a strong emphasis on continued improvements of the production structure."

tural streamlining and positioning in profitable segments, we are also discontinuing operations in areas we do not regard as attractive in the long term.

Growth with profitability

Growth generates profitability as we continuously endeavor to move into high-value segments with increasingly sophisticated products and solutions. The profitability targets are demanding and continue to present a challenge, despite the fact that we came closer to achieving them in 2007. Consequently, we will put a strong emphasis on continued improvements of the production structure – an area that has not received enough attention in Trelleborg. This means that we will continue the current program that entails extraordinary efforts and nonrecurring costs.

For the past two years, we have conducted a Group-wide project for improved purchasing with favorable results. We are reviewing our supplier structure and are seeking new partners in low-cost environments worldwide. Purchasing is being increasingly integrated into product

development and we are continuously testing new and cost-efficient solutions in this area.

Since the autumn of 2006, Trelleborg Automotive has been the focal point of our cost-rationalization work. We intend to take the necessary strategic, structural and operational measures to achieve sustainable profitability. In 2008, the rationalization program will enter a new phase. We will perform a review of the entire portfolio of production units, products, customer structures and purchasing. We shall become even better at satisfying the global ambitions of customers as regards products and solutions that are profitable for us.

Outlook 2008

In other words, we are once again faced with a comprehensive agenda for 2008. My management team, all of Trelleborg's skilled employees and I promise that no effort will be spared to ensure that 2008 will also be a successful year.

At the time of writing, in February 2008, we have a favorable economy that supports our business, and an order backlog that is better than the same period in the preceding year. In the year-end report, our outlook for the first quarter was as follows:

Continued favorable growth is expected within most of the Group's market segments. For such segments as Aerospace and Off-shore Oil/Gas, demand is expected to remain highly robust. For automotive-related operations, the North American market is expected to be weaker than in 2007, while the European market is expected to remain unchanged.

At present, it is difficult to forecast if or how the market conditions will change in 2008 and if – as predicted by many – we will observe a slowdown in the economy. We are watchful of the signals that are present and are making preparations to enable us to manage a lower rate of growth in a number of our underlying markets. With continued improvements to the operational structure and focusing on segments with favorable long-term profitability, I foresee considerable potential to develop our business so that we remain strongly positioned and well prepared for the future.

Trelleborg, February 2008

Peter Nilsson, President and CEO



Trelleborg grows with the global trends

Increasing demands for new and improved infrastructure, greater and more efficient transports, greater and cleaner energy – these are a few of the challenges faced by the global economy in the years to come. Trelleborg is correctly positioned to grow in pace with global investment trends that entail increasingly advanced requirements for sealing, damping and protecting.

Growing markets drive investments in infrastructure



Slightly more than 211,000 new citizens are born in the world every day, which leads to urbanization, commuting and greater infrastructure requirements.

In turn, this results in a need for cars and other forms of transport. Trelleborg delivers solutions that enhance the safety and comfort of vehicles by sealing, damping and protecting.

More traffic also requires an improved infrastructure with viaducts, tunnels, railway lines and bridges. For these constructions, Trelleborg supplies such solutions as tunnel seals, vibration-damping bearings and sealing membranes. These products are capable of sustaining the traffic and forces of nature to which the structures are continuously exposed. Viewed over time, global infrastructure investments have grown significantly, although demand varies from year to year since by their very nature, investments are project-based.

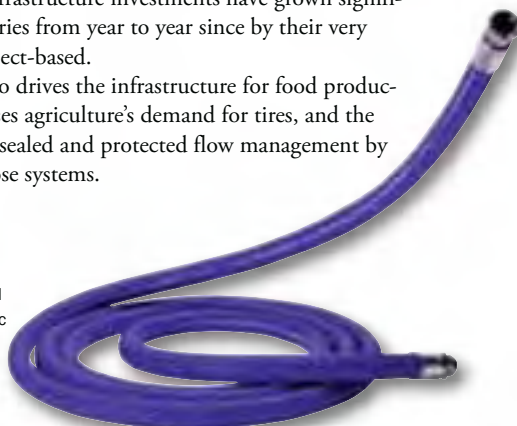
A larger population also drives the infrastructure for food production. For example, it increases agriculture's demand for tires, and the food industry's demand for sealed and protected flow management by using seals and advanced hose systems.

Trelleborg's bridge bearings are a combination of advanced polymer mixtures and metals that have the ability to absorb seismic movements in the Earth's crust.

Radial tires from Trelleborg meet rising performance requirements from agriculture.

Trelleborg manufactures advanced hose systems that ensure hygienic food production for a growing population.

Seals from Trelleborg protect submerged tunnels from water penetration.





Globalization drives transportation needs

New growth markets are dependent on products from the industrialized world and emerging markets are producing a rising portion of consumption in the industrialized world. The fact of the matter is that global trade will soon have doubled its share of the world's total production since the beginning of the 1990s*. This increases demands on global transportation.

Increased global sea transport requires better infrastructure solutions in the form of more and larger harbors. For these facilities, Trelleborg delivers such damping solutions as fenders and docking systems to protect both vessels and quays.

Industrial goods, goods in transit and in stock are handled by different means of transport. Movements, vibrations and jarring sounds are damped by antivibration elements, solid tires and flexible compensators from Trelleborg.

Globalization also means that transportation by air is expanding rapidly. Products that Trelleborg supplies to the aerospace industry include precision seals that are used in engines, actuators and landing gears.

Trelleborg supplies fenders comprising a flexible metal construction and polymer material that damp the forces arising when a vessel docks. This protects the vessel, the quay and the environment.



Trelleborg's flame-proof fire seals, such as this one for the Airbus 320, ensure that highly explosive jet fuel does not come into contact with the hot sections of the engine. This protects aircraft, passengers and goods.

* Source: Confederation of Swedish Enterprise/
Ekonomifakta 2007

Trelleborg Elite XP is a specialist tire for forklifts. The tire offers significant competitive advantages since it provides 20-percent higher stability and has a 15-percent longer service life than competing products.

The need for energy efficiency drives environmentally friendly alternatives



The growing population and industrialization of the world, particularly in Asia, increases the demand for energy. At the same time, the greenhouse effect is imposing demands on cleaner energy and alternative energy sources.

Trelleborg delivers sealing solutions for energy equipment that utilizes traditional energy sources, as well as new sources, such as bioenergy, solar energy, heat pumps and wind power plants.

Trelleborg's sealing profiles are used in buildings to reduce total energy requirements.

Diesel vehicles, which are a more energy-efficient alternative to gasoline-driven vehicles, are expanding and are expected to double their share of the number of passenger cars sold by 2012 in such countries as the US. Diesel vehicles make more noise and vibrate more, which heightens demand for Trelleborg's complex noise-damping and antivibration systems

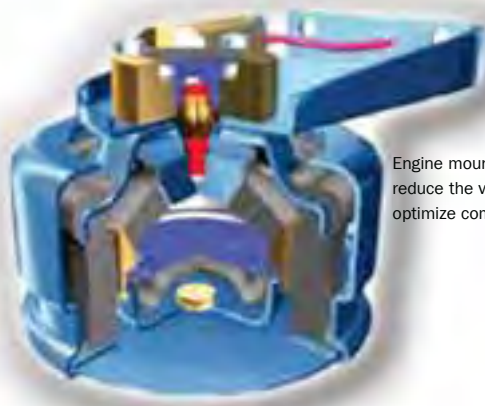
At the same time, experts generally agree that oil and gas will remain dominating elements in satisfying the world's energy needs in the foreseeable future. Trelleborg has developed technology and solutions that protect the environment, personnel and investments in oil extraction at extreme depths.



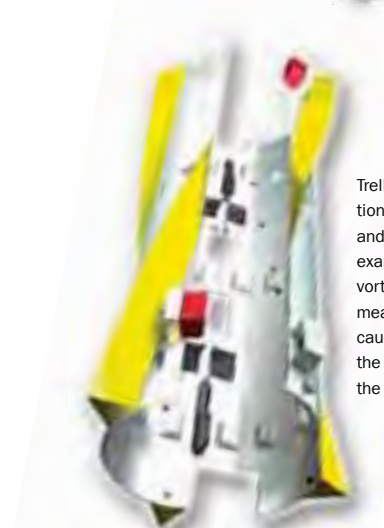
Cylinders fitted with seals from Trelleborg are used to adjust the angle of the rotorblades of a wind power plant.



Trelleborg's sealing profiles for windows and doors are available in a multitude of models. They hold glass sections in place, while the sealing effect saves energy and offers protection from the elements.



Engine mounts from Trelleborg dynamically reduce the vibrations of diesel engines to optimize comfort and road-holding qualities.



Trelleborg supplies a range of solutions that ensures oil production and protects the environment. An example is products that reduce vortex-induced vibrations (VIV), meaning a reduction of the pressure caused by underwater currents to the oil drill pipe, safeguarding both the environment and oil.

* Source: JD Power/National Register.



SEAL, DAMP AND PROTECT

Trelleborg develops functions that seal, damp and protect people and processes in demanding industrial environments throughout the world.

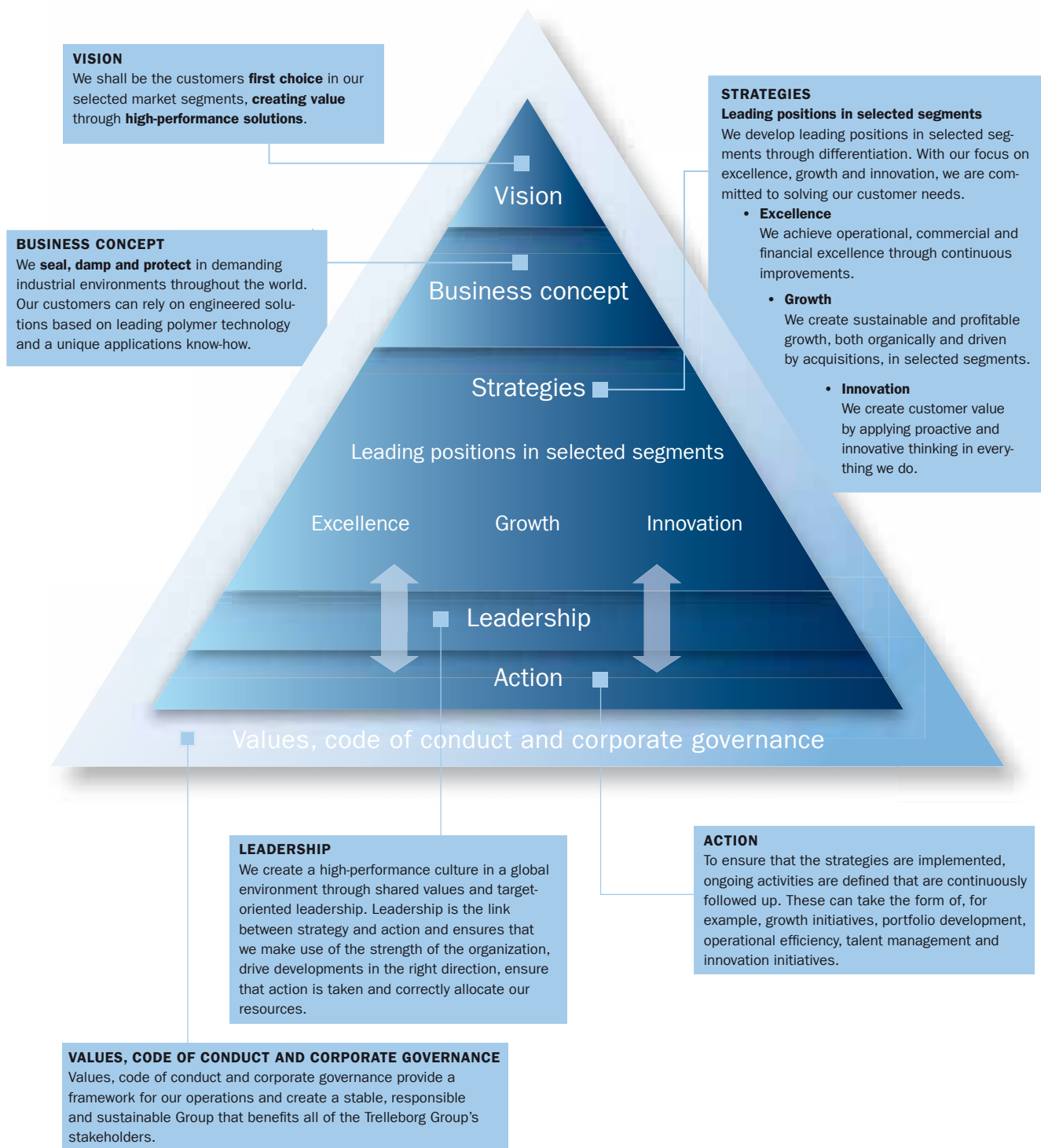


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Solutions that seal, damp and protect





Seal, damp and protect

The Trelleborg Group offers high-tech solutions that meet three primary customer needs: to seal, damp and protect to secure investments, processes and people in demanding industrial environments. Functions that are vital for customers within selected segments of the global markets for aerospace, agricultural, transportation, automotive, offshore oil/gas, infrastructure/construction and general industry sectors. Based on polymer technology and in-depth applications know-how, Trelleborg develops products and solutions designed to meet specific needs, often in close collaboration with customers.

Market and applications expertise

The Group's solutions are used in many different applications and products and are consequently aimed at a large number of customer groups in many different industrial segments. Each business area focuses on selected customer segments and can thereby contribute leading-edge expertise and applications know-how through in-depth knowledge of the customers' situation and needs.

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

Core competence and synergies

Core industrial expertise and polymer technology pervade all of the business areas, as does the high technology content of the products, providing added value for customers. Focused product development, cost-effective production and synergies in purchasing and material flows

are decisive for favorable operational results and commercially successful products and solutions. To strengthen the Group's competitiveness, coordination between business areas is sought in all of these areas.

Our Core Values

Trelleborg's basic values are summarized in the four guiding principles: *customer focus, performance, innovation and responsibility*. In their daily efforts, Group employees are guided by the culture and values developed over the years. With shared values, a continuity is established, necessary in building and maintaining operations that are successful over the long term.

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



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

Our financial targets

The Trelleborg Group's financial targets are as follows:

- Annual growth over an economic cycle: 8-10%
- Return on capital employed: 15%
- Return on shareholders' equity: 15%
- Debt/equity ratio: 75-125%
- Operating cash flow: 80-90% of operating profit
- EBITDA margin: $\geq 12\%$ at a Group level

Target	Description	Fulfillment																		
<p>Growth The overall goal is to create value for shareholders and other stakeholders through profitable growth. The target for average growth in sales is 8-10 percent annually over an economic cycle.</p>	<p>Growth shall be achieved through a combination of organic growth and acquisitions of new and complementary operations. Organic growth will be achieved through, for example, proprietary product development and penetration of new geographic markets. Over the past five years, sales have increased by an average of 12 percent annually. During the same period, organic growth has increased by an average of 5 percent.</p>	<p>In 2007, sales growth amounted to 14 percent with the following breakdown:</p> <ul style="list-style-type: none"> Organic growth +10 percent Structural changes +6 percent Exchange-rate fluctuations -2 percent <table border="1"> <caption>Net sales (SEK M)</caption> <thead> <tr> <th>Year</th> <th>Net sales</th> <th>Continuing operations</th> </tr> </thead> <tbody> <tr> <td>2003</td> <td>18,000</td> <td>15,000</td> </tr> <tr> <td>2004</td> <td>22,000</td> <td>20,000</td> </tr> <tr> <td>2005</td> <td>23,000</td> <td>21,000</td> </tr> <tr> <td>2006</td> <td>26,000</td> <td>24,000</td> </tr> <tr> <td>2007</td> <td>30,000</td> <td>28,000</td> </tr> </tbody> </table>	Year	Net sales	Continuing operations	2003	18,000	15,000	2004	22,000	20,000	2005	23,000	21,000	2006	26,000	24,000	2007	30,000	28,000
Year	Net sales	Continuing operations																		
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2006	26,000	24,000																		
2007	30,000	28,000																		
<p>Return on capital employed* The target for return on capital employed is 15 percent over the long term before tax.</p>	<p>This has been deemed a reasonable level since the bulk of fixed assets are a mix of older assets with lower carrying values and assets that have been acquired at market value in recent years.</p>	<p>In 2007, return on capital employed amounted to 11.5 percent (9.9). The Trelleborg Engineered Systems and Trelleborg Wheel Systems business areas both had returns that improved to the level of 18.5 percent. The return for Trelleborg Sealing Solutions, which was acquired in 2003, improved to 12.5 percent. The return for Trelleborg Automotive remained unchanged at 4 percent.</p> <table border="1"> <caption>Return on capital employed (%)</caption> <thead> <tr> <th>Year</th> <th>Return on capital employed</th> </tr> </thead> <tbody> <tr> <td>2003</td> <td>10.0</td> </tr> <tr> <td>2004</td> <td>11.0</td> </tr> <tr> <td>2005</td> <td>10.5</td> </tr> <tr> <td>2006</td> <td>10.0</td> </tr> <tr> <td>2007</td> <td>11.5</td> </tr> </tbody> </table>	Year	Return on capital employed	2003	10.0	2004	11.0	2005	10.5	2006	10.0	2007	11.5						
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2003	10.0																			
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2007	11.5																			
<p>Return on shareholders' equity* The target return on shareholders' equity is 15 percent after tax.</p>	<p>This is a reasonable target in view of the targets established for return on capital employed and the capital structure. Key factors contributing to an ongoing positive trend include improvement in return on capital employed and an optimal capital structure.</p>	<p>In 2007, return on shareholders' equity amounted to 13.0 percent (10.8). The higher level of return is a result of an improved return on capital employed.</p> <table border="1"> <caption>Return on shareholders' equity (%)</caption> <thead> <tr> <th>Year</th> <th>Return on shareholders' equity</th> </tr> </thead> <tbody> <tr> <td>2003</td> <td>10.0</td> </tr> <tr> <td>2004</td> <td>13.0</td> </tr> <tr> <td>2005</td> <td>11.0</td> </tr> <tr> <td>2006</td> <td>10.5</td> </tr> <tr> <td>2007</td> <td>13.0</td> </tr> </tbody> </table>	Year	Return on shareholders' equity	2003	10.0	2004	13.0	2005	11.0	2006	10.5	2007	13.0						
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<p>Debt/equity ratio The target for the Group's capital structure is set to achieve an optimized balance between risk and return. Accordingly, the Group has determined that a debt/equity ratio within the interval of 75-125 percent is reasonable considering sensitivity to fluctuations in the business cycle and to favorable cash-generating capacity.</p>	<p>To remain within the target interval, Trelleborg pursues an aggressive acquisition strategy using its strong cash flow. However, acquisition is never an end in itself, but must fulfill the acquisition criteria established by the Group. If suitable objects are not available, other ways of returning equity to shareholders may be considered.</p>	<p>At year-end 2007, the debt/equity ratio was 100 percent, which is within the target interval. During the year, the net effect of acquisitions and divestments increased indebtedness by SEK 489 M, corresponding to about 5 percent of the closing balance of shareholders' equity.</p> <table border="1"> <caption>Debt/equity ratio (%)</caption> <thead> <tr> <th>Year</th> <th>Debt/equity ratio</th> </tr> </thead> <tbody> <tr> <td>2003</td> <td>110</td> </tr> <tr> <td>2004</td> <td>80</td> </tr> <tr> <td>2005</td> <td>75</td> </tr> <tr> <td>2006</td> <td>95</td> </tr> <tr> <td>2007</td> <td>100</td> </tr> </tbody> </table>	Year	Debt/equity ratio	2003	110	2004	80	2005	75	2006	95	2007	100						
Year	Debt/equity ratio																			
2003	110																			
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<p>Operating cash flow* Operating cash flow is the principal source of financing for achieving the growth target. The target for operating cash flow is set at 80-90 percent of underlying operating profit (EBIT).</p>	<p>To achieve the target, we work continuously in the Group with a number of capital-rationalization projects, which, among other benefits, enable attractive financing solutions for our suppliers.</p>	<p>In 2007, Trelleborg achieved an operating cash flow of 76 percent of operating profit. The level is just below the target interval due to a rise in tied-up capital resulting from increased organic growth.</p> <table border="1"> <caption>Operating cash flow / Operating profit (%)</caption> <thead> <tr> <th>Year</th> <th>Operating cash flow / Operating profit</th> </tr> </thead> <tbody> <tr> <td>2003</td> <td>85</td> </tr> <tr> <td>2004</td> <td>80</td> </tr> <tr> <td>2005</td> <td>100</td> </tr> <tr> <td>2006</td> <td>85</td> </tr> <tr> <td>2007</td> <td>76</td> </tr> </tbody> </table>	Year	Operating cash flow / Operating profit	2003	85	2004	80	2005	100	2006	85	2007	76						
Year	Operating cash flow / Operating profit																			
2003	85																			
2004	80																			
2005	100																			
2006	85																			
2007	76																			
<p>Margin targets* EBITDA margin (earnings before interest, taxes and depreciation/amortization in relation to net sales) supplements the return targets. The medium-term target is that this margin will reach a level of 12 percent or better.</p>	<p>The target shall be realized through volume growth and measures to enhance the company's structure and efficiency. Active work with the product portfolio is also expected to contribute to improved margins.</p>	<p>In 2007, the EBITDA margin amounted to 10.6 percent (10.1). Except for Trelleborg Automotive, the margin improved in all business areas compared with the preceding year.</p> <table border="1"> <caption>EBITDA margin (%)</caption> <thead> <tr> <th>Year</th> <th>EBITDA margin</th> </tr> </thead> <tbody> <tr> <td>2003</td> <td>10.0</td> </tr> <tr> <td>2004</td> <td>11.0</td> </tr> <tr> <td>2005</td> <td>10.5</td> </tr> <tr> <td>2006</td> <td>10.0</td> </tr> <tr> <td>2007</td> <td>10.6</td> </tr> </tbody> </table>	Year	EBITDA margin	2003	10.0	2004	11.0	2005	10.5	2006	10.0	2007	10.6						
Year	EBITDA margin																			
2003	10.0																			
2004	11.0																			
2005	10.5																			
2006	10.0																			
2007	10.6																			

*For continuing operations, excluding items affecting comparability

Our strategies

Our vision is to be the first choice for customers in our selected segments by offering high-performance solutions that create value. Our strategies transformed into actions is our method for fulfilling our vision.



Leading positions in selected segments

Trelleborg strives to achieve leading positions in our carefully selected segments in global and regional markets. We are convinced that this provides added value for our customers and leads to favorable financial performance by the Group. The Group's market positions and product portfolio are continuously evaluated. We select and focus on segments in which the Group can attain leading positions and which offer long-term growth in value. At the same time, we identify and withdraw from areas and segments that are less attractive. In this manner, resources are continuously made available to be steered toward our selected areas.

Excellence, Growth and Innovation build leading positions

We develop our leading positions by focusing on:

- Operational, commercial and financial excellence.
- Organic and acquisition-driven growth.
- Innovative thinking.

Read more about our strategies and the actions being taken in line with these on pages 16-21.

Financial targets and value creation for all stakeholders

Our strategies afford us the preconditions on which to achieve our financial targets. This does not only benefit shareholders in the form of

dividends. The Group's other stakeholders can also benefit from this. Employees receive development possibilities, suppliers are provided with opportunities for growth and for creating better products, our customers obtain a strong partner who can contribute to their business value and we contribute to the society of which we are a part.

Leadership ensure strategies and action

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

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

Excellence strengthens competitiveness and margins

We achieve operational, commercial and financial excellence through continuous improvements.

Excellence comprises several dimensions. Operational, commercial and financial excellence are three links that, through continuous improvement, build a strong and efficient chain – from purchasing to finished solutions delivered to our customers. Excellence leads to better positioning and competitiveness, thereby also driving growth.

We create excellence through:

Reliable quality

Our products and solutions are found in a number of demanding environments. High quality and reliability are preconditions for Trelleborg to be considered the first choice for our customers.

Optimized operational structure

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

Optimized processes

The Group's various processes, for example, production, purchasing, pricing and logistics, shall create strength and synergies, and be as standardized as possible. Many activities were initiated in such areas as purchasing and production in the past year.

Production and capital efficiency

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

Greater emphasis is also being placed on increasing the level of outsourcing. Purchasing non-critical and supplementary products instead of manufacturing them ourselves provides enhanced flexibility in the operation and greatly improves our ability to offer customers complete solutions. It also reduces costs and tied-up capital.

Reliable quality

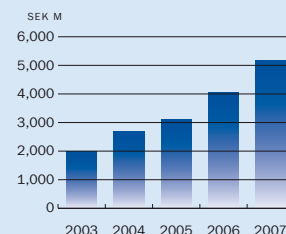
During the year, Trelleborg launched a sealing system developed for the aircraft manufacturer Airbus's actuators for the A380 – hydraulic cylinders for controlling mechanisms. The cylinders have a special hard surface made from tungsten-carbide material. The sealing system is developed, manufactured and tested by Trelleborg under a pressure of 350 bar for 48,000 flying hours. In this manner, it is possible to maximize safety in the critical application and, accordingly, the aircraft's time in flight.



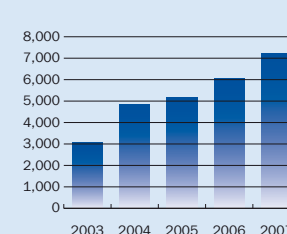
Higher share of sales in growth markets

Trelleborg is continuously increasing its sales in emerging markets, that is, markets outside the US, western Europe, Japan and Oceania. Sales that have more than doubled since 2003 provide us with the opportunity to establish cost-efficient production that will benefit the local markets and strengthen the Group's competitiveness in the mature Western European and US markets.

Sales in emerging markets



Number of employees in emerging markets



Improved purchasing processes

The purchasing of products and services is key to an industrial company such as Trelleborg. This applies in particular to raw materials. In 2007, the Group's purchasing function was strengthened and many central initiatives were pursued. Purchases are integrated in the product-development phase and specifications are reviewed, at the same time as purchasing is globalized and we are analyzing our supplier structure.



Continued improvements to production structure 2007

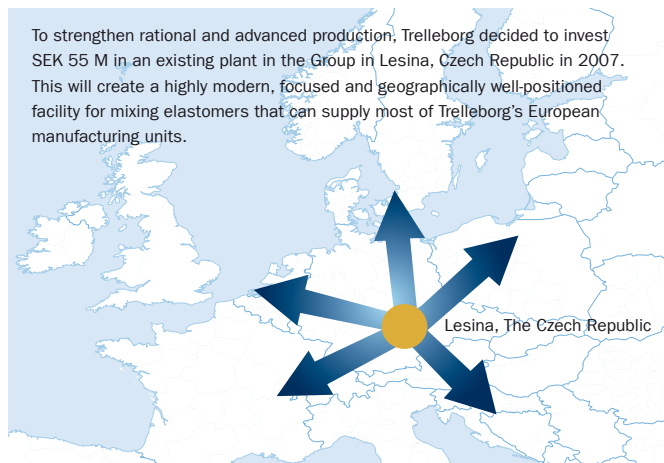
We continuously rationalize our production structure and concentrate manufacturing to selected specialized units in which we invest for the future. This entails the closure of certain units. In 2007, we closed or commenced the closure of eight production units. By taking this course of action, we develop and focus our remaining units as competency centers that strengthen our competitiveness. This also provides us with more efficient production at lower costs. In parallel, we ensure that we are correctly positioned and are close to our customers.

Business area	Discontinuation of unit	Relocation and consolidation to:
Trelleborg Automotive		
Fluid Solutions	West Thurrock, UK	France/Czech Republic
Antivibration Solutions	Trowbridge, UK	Romania/Turkey
Antivibration Solutions	Dawson, US	Mexico/North America
Antivibration Solutions	Fergom, Italy	Spain
Trelleborg Engineered Systems		
Industry	Mörbylånga, Sweden	Estonia/Sweden
Infrastructure Construction	Ystad, Sweden	Lithuania
Trelleborg Wheel Systems		
Industrial Tires	Hartville, US	Sri Lanka
Industrial Tires	Hadsten, Denmark	Latvia

In 2007, Trelleborg increased its production capacity with facilities that include an ultramodern plant in Dej, Romania. The facility offers such customers as Audi, Dacia, Ford, Peugeot and Renault local manufacturing of antivibration systems for their plants in Romania and the rest of Central Europe.



To strengthen rational and advanced production, Trelleborg decided to invest SEK 55 M in an existing plant in the Group in Lesina, Czech Republic in 2007. This will create a highly modern, focused and geographically well-positioned facility for mixing elastomers that can supply most of Trelleborg's European manufacturing units.



Central logistics center creates customer advantages and savings

Trelleborg Sealing Solutions has a well-tested concept with a central logistics center in Germany that is responsible for inventories, production planning and transportation in Europe. The concept was exported to the US and Asia during the year. Enhanced logistics and broader specialization opportunities improve the offering to our customers and reduce inventory costs and tied-up capital.



Growth in selected segments

We create sustainable and profitable growth, both organically and driven by acquisitions, in selected segments.

We create growth through:

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

Healthy organic growth 2007

Since 2003, the Trelleborg Group has grown by an average of 12 percent per year, of which 5 percent organically. Growth in 2007 amounted to 14 percent, of which 10 percent organically.

Organic growth is underpinned by focused growth initiatives. Activities are conducted in all business areas within the framework of *Global Growth Initiatives*, which systematically drive growth in prioritized areas.

Growth is also supported by the focused transfer toward attractive segments by refining the business structure and product portfolio. At the same time, we are withdrawing from areas that are less attractive.

Discontinued operations 2007

As part of the optimization of the Group's portfolio and the concentration on selected segments, the Group withdrew from several operations in 2007.

An operation in Coventry, UK, was divested in 2007 within the framework of the strategic and operational action program in the Trelleborg Automotive business area. The business, which primarily manufactures airsprings, has about 110 employees and had sales of SEK 150 M in 2006. The company is not one of Trelleborg's core operations, has few synergies with other operations and is limited in size.

The phase-out of the less profitable range of standardized seals for the automotive industry continued in Trelleborg Sealing Solutions.

Trelleborg Engineered Systems withdrew from less advanced segments in such areas as rubber sheeting and standardized fluid systems.

Trelleborg Wheel Systems divested non-core operations within semi-finished goods for tire manufacturing and certain dimensions in agricultural and industrial tires.

Our market

A considerable portion of Trelleborg's operations lie within the framework of what is termed the industrial rubber sector. It is estimated that globally, this market generates sales of approximately SEK 600 billion annually. The European and North American shares combined comprise nearly 60 percent. The industrial rubber market comprises such product areas as anti-vibration, hoses and seals. The market is fragmented, although a gradual process of consolidation is under way. The share covered by the ten largest companies has risen from approximately 15 percent to approximately 35 percent over the past five years. Trelleborg is playing an active role in this process.

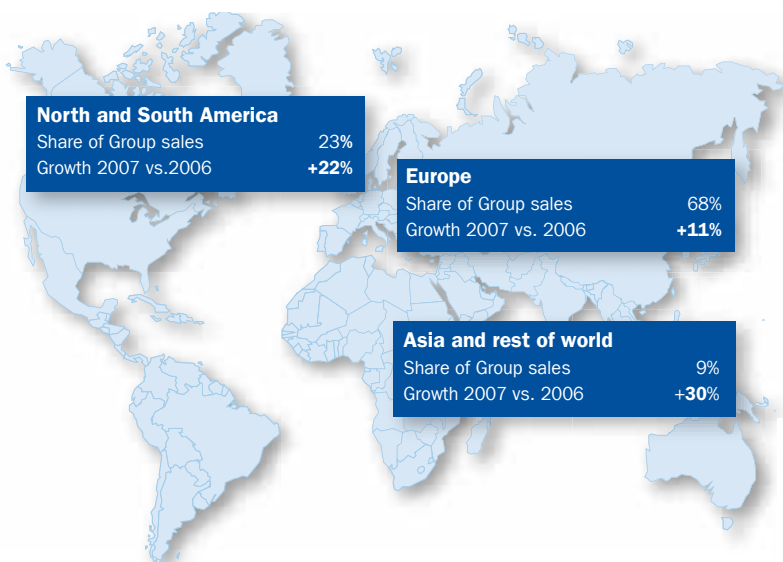
* Based on sales

** Trelleborg includes Reeves that was acquired in autumn 2006.

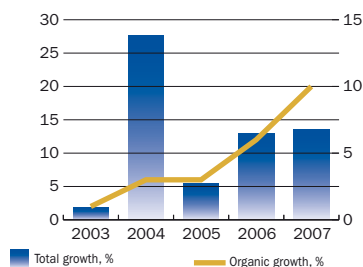
Source: Rubber & Plastic News, July 2007/Trelleborg

Global industrial rubber suppliers*

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



Total growth and organic growth, %



The Trelleborg Group's sales growth has averaged 12 percent per year since 2003.

Geographically, Trelleborg is expanding substantially in the growth markets in Asia, Latin America and Central Europe through extended presence and developing markets with our proprietary product and system development. In 2007, Trelleborg's presence was strengthened in such countries as the Baltic States, Romania and China. The total share of Group sales in markets outside Western Europe, North America, Japan and Oceania in 2007 was approximately 17 percent. During the year, sales to emerging markets increased by 28 percent compared with 2006.



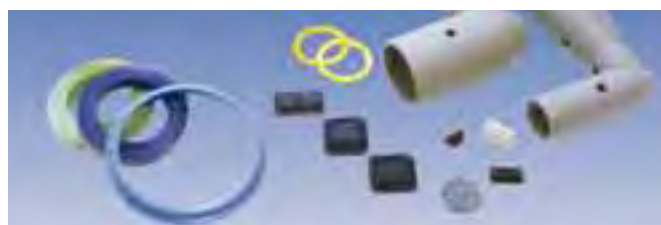
Acquisitions 2007

The target for Trelleborg’s average growth in sales is 8–10 percent annually over an economic cycle. This target presupposes acquisition-driven growth. The Group actively seeks acquisition candidates that add technology that creates added value, supports the build-up of critical mass in attractive segments, has solid organic growth potential and provides consolidation opportunities. A total of six (11) acquisitions were implemented in 2007, all of which supplemented the operations.

Date concluded	Company	Main location, country	Product area	Approximate sales, full-year prior to acquisition, SEK M	Number of employees
January 4	Epros GmbH and Epros International Ltd.	Duisburg, Germany and St. Albans, UK	After-market for pipe systems	90	30
March 1	Gummiteknik GTM AB	Bålsta, Sweden	Advanced rubber components	35	30
June 1	Hydro-Components Research & Development Corporation	Streamwood, US	Precision seals	50	80
July 12	AFM Inc.	Portland, US	Precision seals	85	45
October 29	Solid Service Group	Melbourne, Australia	Special tires	65	40
November 15	Sealing Solutions Inc.	Colmar, US	Precision seals	100	40
Approximate total				425	265



Epros – methods for internal pipe sealing. German company Epros is a niche leader in the after-market for pipe systems, specializing in trenchless repairs. The methods to seal leaking pipes and improve structural stability in pipe systems include the use of materials such as impregnated polyester fabrics and EPDM. The acquisition is part of the aim to take advantage of the rapidly growing market in internal pipe sealing.



Gummiteknik – developer of specialist components. Gummiteknik is a Swedish producer of advanced rubber components in short and medium series for the engineering and construction industries, among others. The production methods include injection molding, hot extrusion and pressing of material combinations (rubber/metal and rubber/plastic). This acquisition provides purchasing and production synergies associated with Trelleborg’s related operations.



HCRD – precision seals in the US. HCRD manufactures high-precision components focusing specifically on large diameter seals and bearings. These products are used primarily in applications involving heavy-duty cylinders such as shock absorbers for earth moving equipment, dumpers and excavators. HCRD’s technology and products are at the leading edge of development in its field, combine ideally with Trelleborg’s current portfolio and offer growth opportunities in North America within the segment for heavy vehicles.



AFM – growing US supplier of seals and components. AFM is a rapidly growing supplier of hydraulic seals and customized rubber components. The company’s range of products includes dynamic seals, static seals and rotary seals. The bulk of AFM’s current sales are to OEM customers within several industrial segments, including aerospace. This acquisition increases Trelleborg’s market presence in the US Northwest and central California.



Solid Service Group – leading industrial tire supplier in Australia. Solid Service Group is one of the largest suppliers of solid industrial tires in Australia. The operation focuses on specialized service for industrial customers, including support for fixed pressing units and mobile pressing units for onsite fitting of all types of industrial tires, primarily for various types of forklifts. The acquisition of Solid Service Group entails expanded presence in the Australian market and a strengthened logistics network across the continent.



Sealing Solutions – supplier with special expertise. Sealing Solutions Inc. is a leading US supplier of Trelleborg’s and other suppliers’ sealing products, primarily to the aerospace industry and industrial OEM companies. The business has positioned itself with special expertise that offers deliveries integrated into the customers’ production processes. This acquisition gives Trelleborg valuable new customer contacts among, for instance, aerospace systems manufacturers, jet engine manufacturers and industrial OEM customers and further strengthens distribution in North America.

Innovative solutions create customer value

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

We create innovative solutions through:

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

Innovative thinking is not only associated with products and solutions; it is equally important in all processes. An innovative culture is created by people's curiosity, questioning approach and willingness to change. Innovation is one of Trelleborg's core values and an important element in our competitiveness. Internal discussions were held during the year regarding how we can better develop an innovative culture. As part of this process, innovation has been placed high on the agenda and is now one of our principal strategies. This work will be pursued further in 2008.

Global research and development

With common technology and a base of in-depth materials know-how, Trelleborg's business areas develop a variety of solutions in the form of products and systems that satisfy the specific needs of various industrial customers. The function is the same: to seal, damp and protect to secure values in demanding environments.

Trelleborg allocates considerable resources to maintain its leading position within research and development. The work is performed at three levels:

- The first level comprises fundamental physical and chemical materials know-how concerning polymers and other materials.
- The second level involves applications expertise within our global market segments.
- The third level is the specific design of products and solutions.

Development of Trelleborg's solutions takes place in close cooperation with customers

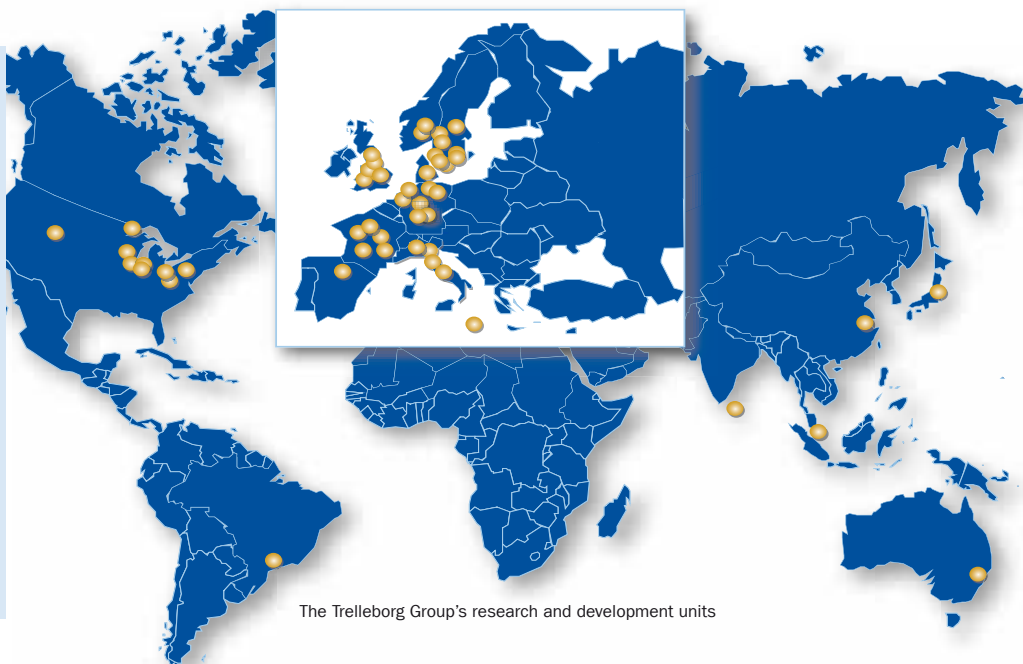
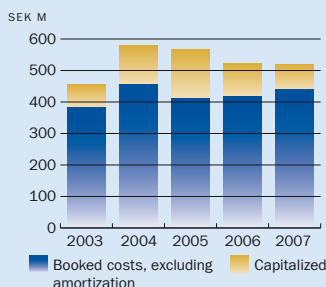
Some 40 development units throughout the world are at the disposal of our customers. These provide advanced equipment for sound analysis, pressure, temperature and load simulation, measurement of wear and friction, system analysis and non-linear material analysis.

To guarantee lasting quality, the Group has also established an extensive test function. Among other parameters, we test compression, fatigue, pressure resistance, wear, load, vibration and sound. In the final phase, testing of prototypes and finished products is often performed at the customer's facility and under harsh conditions. Subsequently, the finished products are ready to seal, damp and protect throughout the world.

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

During 2007, research and development expenditure amounted to SEK 520 M (522), corresponding to about 2 percent (2) of sales. Of this amount, SEK 81 M (104) was capitalized and recorded as an intangible asset in the balance sheet. The year's amortization and impairment of capitalized research and development expenditure amounted to SEK 94 M (57).

R&D expenditure 2007



The Trelleborg Group's research and development units



Supporting technology supplements polymers

We customize polymers and combine them with other materials to obtain unique properties, such as elasticity and resistance to various stresses in a number of demanding environments. In such products as seals, fenders

and antivibration mounts, polymers are combined with other materials and electronics to form intelligent solutions to advanced technical problems in diverse industries.

A variety of unique solutions with a common base technology and function to seal, damp and protect



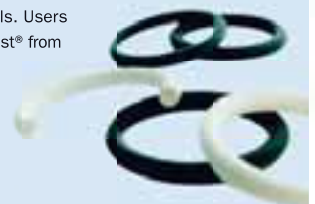
seal
damp
protect

With common technology and a base of in-depth materials know-how, Trelleborg's business areas develop a variety of solutions in the form of products and systems that satisfy the specific needs of various industrial customers. The function is often fundamentally the same: to seal, damp and protect to secure values in demanding environments.

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



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



Dredging hoses in Dubai

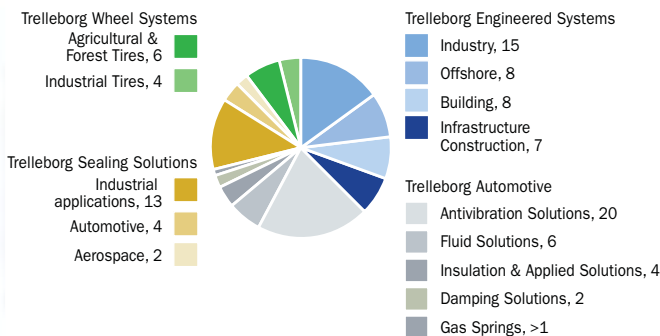
Trelleborg's core expertise in sealing, damping and protecting in various environments and applications presents opportunities for cross-pollination between business areas. For example, dredging hoses are used in Dubai that enable the handling of demanding coral sand. This is a property that we originally developed in our solutions for handling minerals.



The Group in brief 2007

- Favorable market conditions in Trelleborg's market segments.
- Strong organic growth of 10 percent.
- Increased presence in growth markets.
- Continued favorable earnings trend for operations outside the automotive industry.
- Margin improvements as a result of efficiency enhancements in operations and continued focus on profitable segments.
- Activities within the parameters of Trelleborg Automotive's strategic and operational review proceeding as planned.
- Subsidiaries in France and the US subject of competition investigation.

Net sales per business segment, %



Key figures

	2007	2006
Net sales, SEK M	30,971	27,284
Operating profit, SEK M	1,707	1,507
Profit before tax, SEK M	1,268	1,193
Net profit, SEK M	838	766
Earnings per share, SEK	9.10	8.30
Free cash flow, SEK M	518	905
Free cash flow per share, SEK	5.75	10.00
Net debt, SEK M	10,093	9,350
Debt/equity ratio, %	100	96
Return on shareholders' equity, %	8.4	7.6
Average number of employees	25,158	22,506

Operating key figures*)

Net sales, SEK M	30,810	26,875
Operating profit, SEK M	2,274	1,820
Profit before tax, SEK M	1,836	1,507
Net profit, SEK M	1,282	1,072
Earnings per share, SEK	14.00	11.70
Operating margin (ROS), %	7.3	6.7
Return on capital employed (ROCE), %	11.5	9.9
Return on shareholders' equity, %	13.0	10.8
Operating cash flow, SEK M	1,718	1,594
Operating cash flow per share, SEK	19.00	17.65
Operating cash flow/operating profit, %	76	88
Net debt/EBITDA, multiple	3.1	3.4
EBITDA/net financial items, multiple	7.5	8.7

*) Based on continuing operations, excluding items affecting compatibility.

PRESS RELEASES 2007

JANUARY

January 4, 2007 : 3:10 p.m.

Acquisition of Epros finalized

January 9, 2007 : 8:30 a.m.

Trelleborg combines two business areas

January 31, 2007 : 1:30 p.m.

Trelleborg sells property in Stockholm

FEBRUARY

February 1, 2007 : 8:30 a.m.

Updated comparative data and information prior to the 2006 Year-end report

February 6, 2007 : 8:30 a.m.

Trelleborg initiates consultations on closure of UK plant

February 16, 2007 : 8:55 a.m.

Trelleborg acquires Gummiteknik GTM AB

MARCH

March 1, 2007 : 12:00 p.m.

Trelleborg's acquisition of Gummiteknik finalized

March 23, 2007 : 8:15 a.m.

Closure of minority-owned company's plant in US

March 27, 2007 : 8:00 a.m.

Notification of the Annual General Meeting 2007

APRIL

April 16, 2007 : 3:45 p.m.

Information prior to Interim report for first quarter of 2007

April 25, 2007 : 5:31 p.m.

Report from Annual General Meeting of Trelleborg AB

MAY

May 5, 2007 : 12:19 p.m.

Competition issues at French subsidiary

JUNE

June 1, 2007 : 8:00 a.m.

Trelleborg acquires North American precision seals company

June 19, 2007 : 12:30 p.m.

Trelleborg expands its presence in the Baltic region

June 19, 2007 : 2:00 p.m.

Roger Johansson new Business Area President of Trelleborg Automotive

June 21, 2007 : 4:00 p.m.

Trelleborg Automotive inaugurates new manufacturing facility in Dej, Romania

June 26, 2007 : 8:30 a.m.

Information relating to ongoing competition investigation of subsidiaries

JULY

July 12, 2007 : 8:30 a.m.

Trelleborg acquires US distributor of precision seals

AUGUST

August 28, 2007 : 1:30 p.m.

Trelleborg starts negotiations on relocation of manufacturing to Estonia

SEPTEMBER

September 26, 2007 : 11:00 a.m.

Trelleborg acquires special tire distributor in Australia

OCTOBER

October 26, 2007 : 7:46 a.m.

Nomination Committee work at Trelleborg AB prior to 2008 Annual General Meeting

October 29, 2007 : 3:30 p.m.

Trelleborg's acquisition of Solid Service Group finalized

NOVEMBER

November 15, 2007 : 3:14 p.m.

Trelleborg divests UK automotive component plant

November 15, 2007 : 4:40 p.m.

Trelleborg further strengthens its position in precision seals in the US

November 15, 2007 : 6:42 p.m.

Leading positions and growth the theme of Trelleborg's Capital Markets Day 2007

DECEMBER

December 20, 2007 : 11:20 a.m.

Divestment of vehicle component plant in UK completed

Net sales and operating profit, continuing operations

SEK M	Net sales		EBITDA excl. items affecting comparability		EBITDA, %, excl. items affecting comparability		Operating profit excl. items affecting comparability		Operating profit incl. items affecting comparability	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Trelleborg Engineered Systems	11,745	9,310	1,464	1,041	12.4	11.1	1,168	805	1,079	769
Trelleborg Automotive	10,299	9,327	634	616	6.1	6.4	203	219	-179	-61
Trelleborg Sealing Solutions	5,844	5,389	1,019	897	17.4	16.6	839	726	839	726
Trelleborg Wheel Systems	3,248	3,145	374	334	11.5	10.6	288	243	261	222
Other companies			-6	-8			-8	-15	18	-15
Group items			-209	-154			-216	-158	-302	-158
Elimination	-326	-296								
Continuing operations	30,810	26,875	3,276	2,726	10.6	10.1	2,274	1,820	1,716	1,483

SEK M	2007			2006		
	Impairment losses	Restructuring costs	Total	Impairment losses	Restructuring costs	Total
Trelleborg Engineered Systems	-3	-86	-89	-5	-31	-36
Trelleborg Automotive	-67	-315	-382	-229	-51	-280
Trelleborg Wheel Systems	-	-27	-27	-4	-17	-21
Total	-70	-428	-498	-238	-99	-337

Operating ratios, continuing operations

SEK M	Operating margin (ROS), %, excl. items affecting comparability		Operating margin (ROS), %, incl. items affecting comparability		Capital employed, SEK M		Return on capital employed (ROCE), %, excl. items affecting comparability		Return on capital employed (ROCE), %, incl. items affecting comparability	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Trelleborg Engineered Systems	9.9	8.6	9.1	8.2	6,201	5,920	18.6	16.7	17.3	16.1
Trelleborg Automotive	1.9	2.2	neg	neg	5,215	4,968	3.9	4.1	neg	neg
Trelleborg Sealing Solutions	14.4	13.5	14.4	13.5	6,975	6,374	12.5	10.9	12.5	10.9
Trelleborg Wheel Systems	8.9	7.7	8.0	7.1	1,679	1,418	18.5	16.3	16.9	15.0
Other companies					20	129				
Group items					19	19				
Provisions for restructuring measures					-254	-95				
Continuing operations	7.3	6.7	5.5	5.4	19,855	18,733	11.5	9.9	8.8	8.1

Net sales, continuing operations per quarter

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2007	2006	2007	2006	2007	2006	2007	2006
Trelleborg Engineered Systems	2,896	2,057	2,989	2,372	2,849	2,189	3,011	2,692
Trelleborg Automotive	2,609	2,502	2,711	2,473	2,417	2,099	2,562	2,253
Trelleborg Sealing Solutions	1,476	1,426	1,477	1,360	1,451	1,316	1,440	1,287
Trelleborg Wheel Systems	830	844	812	820	781	728	825	753
Elimination	-82	-76	-85	-78	-83	-62	-76	-80
Continuing operations	7,729	6,753	7,904	6,947	7,415	6,270	7,762	6,905

Operating profit, continuing operations excluding items affecting comparability per quarter

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2007	2006	2007	2006	2007	2006	2007	2006
Trelleborg Engineered Systems	276	148	294	194	290	213	308	250
Trelleborg Automotive	55	100	85	107	29	-20	34	32
Trelleborg Sealing Solutions	226	190	210	184	209	170	194	182
Trelleborg Wheel Systems	89	65	75	65	64	52	60	61
Other companies	-4	-3	-5	-4	-1	-4	2	-4
Group items	-35	-35	-63	-38	-44	-41	-74	-44
Continuing operations	607	465	596	508	547	370	524	477

For definitions, see page 118. Continuing operations are defined as operations excluding parts of the Group that have been discontinued or for which a decision regarding discontinuation has been taken.



The acoustic quality in the auditorium of the Birmingham Symphony Hall is regarded as being among the best in the world, largely due to the many advanced acoustic solutions, such as the layer damping under the building.

Innovative engineering solutions for extreme demands

Trelleborg Engineered Systems

Business Area President: Lennart Johansson

Net sales 2007: SEK 11,745 M

Operating profit 2007*: SEK 1,168 M

Number of employees:** 7,420

Head office: Trelleborg, Sweden.

Production units:

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

Strategic priorities:

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

Examples of brands:

Elastopipe®, Viking, Trelchem®, Trelline®, Vulcan®, Dipro®, ETM®, Matakiki®, Phønix Tag®, Trebolit®, Uraduct® and Värnamo®.

Market position:

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

Infrastructure Construction: World-leading within marine fender systems, tunnel seals, dredging sys-

tems and protective clothing. In certain geographic markets, the business segment also has a leading position within bridge bearings and bridge expansion joints. Market leader in pipe seals in Europe.

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

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

Key customers:

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

Principal competitors:

Industry: Continental/Contitech, Semperit, IVG, Bridgestone, Saint Gobain, DAY and Hutchinson.

Infrastructure Construction: Yokohama, Continental/Contitech, Bridgestone and Hutchinson.

Offshore: Cuming Corp., Continental/Contitech, Bridgestone and Balmoral Offshore Engineering.

Building: Semperit, Icopal, Saint Gobain and Schlegel.

* Continuing operations excluding items affecting comparability

** Number of full-time employees at the end of 2007.

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

Four business segments

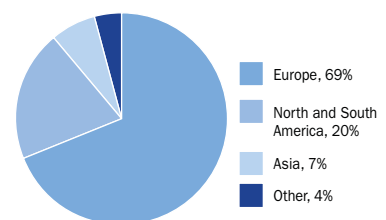
Industry: precision components and systems in polymer materials, such as hoses, elastomer laminates and polymer-coated fabrics. Other special products, such as molded components to many different industry segments, printing blankets for the graphics industry, and industrial antivibration applications.

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

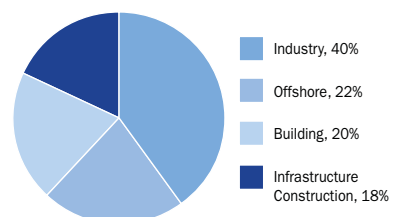
Offshore: niche-oriented products for offshore oil and gas extraction.

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

Net sales per geographic market



Net sales per business segment



TRELLEBORG Engineered Systems



Printing blankets for the graphics industry is a new, growing area for Trelleborg.

Trends

The market for the Industry segment is mature with a growth that is in line with industry production. The European industry structure is fragmented, but consolidation is currently underway, and Trelleborg, as a leading player

in Europe, is taking an active part, for example, within polymer-coated fabrics.

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

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

Within the Building segment, the market is becoming increasingly international at the same time as the demands for local presence and rapid deliveries are essential to achieve leading positions.

A stronger focus on energy efficiency provides the conditions for advanced sealing-profile solutions, both within the construction industry and in the consumer market.

Innovation

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

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

Questions to

Lennart Johansson

Business Area President
Trelleborg Engineered Systems



I am very pleased with how well we succeeded in integrating our latest major acquisitions.

1. What are the most important strategic priorities for your business area in the next few years?

The first is continued portfolio management that aims to further improve the business area's positions. Of course, this involves acquiring attractive operations, but it also involves exiting such operations whose long-term future we do not view so positively. The second priority is to increase our presence in emerging markets in Asia and Latin America.

2. What were you most pleased with in the past year?

I am very pleased with how well we succeeded in integrating our latest major acquisitions in the areas of offshore oil and gas extraction and polymer-coated fabrics/printing blankets, and how they consequently contributed to our strong growth.

3. What risks do you currently see in your business environment?

The greatest risk is that we will not have time to expand our capacity in offshore oil and gas extraction in pace with the prevailing demand. Being able to deliver in pace with orders we have already received is a challenge.

4. What are the most important opportunities you currently see in your business environment?

Of course, this would be the strong expansion within Offshore, but also within Infrastructure Construction. In general, we see strong growth in Asia in basically all of our segments.

5. Can you provide a recent good example of innovation from your business area?

I see how a solid innovation process, such as the one we already apply within offshore oil and gas extraction, has generated a number of good solutions and new materials from which we will benefit greatly in the future. We intend to expand the actual process mindset to other parts of our business area.



Trelleborg markets a large number of polymer-based solutions for offshore oil/gas extraction. Elastopipe is a flexible pipe system developed for sprinklers and other applications in risk-filled environments.

2007: Strong growth and significantly increased operating profit as a result of improved positions and improved efficiency

Key figures	2007	2006
Net sales, SEK M	11,745	9,310
Share of Group net sales, %	37.7	34.3
EBITDA, SEK M (excluding items affecting comparability)	1,464	1,041
EBITDA, %	12.4	11.1
Operating profit, excluding items affecting comparability, SEK M	1,168	805
Operating profit, including items affecting comparability, SEK M	1,079	769
Operating margin (ROS), % (excluding items affecting comparability)	9.9	8.6
Capital employed, SEK M	6,201	5,920
Return on capital employed (ROCE), % (excluding items affecting comparability)	18.6	16.7
Capital expenditures, SEK M	432	271
Operating cash flow, SEK M	1,071	815
Operating cash flow/operating profit, % (excluding items affecting comparability)	92	101
Average number of employees	7,320	5,717

Market trends

The market for Trelleborg's project-related products within Infrastructure Construction and Offshore was highly favorable. Demand was also very strong in most of the segments in Industry. Within Building, demand in Scandinavia continued to be strong.

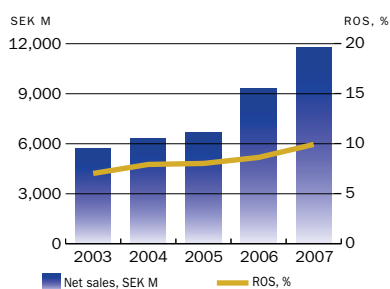
Significant events

- Acquisition of the German company Epros, active in the aftermarket for pipe systems. Epros is a leading niche player specialized in trenchless repairs.
- Acquisition of the rubber component company Gummitechnik in Sweden.
- Transfer of manufacturing of protective products from Ystad, Sweden, to Tauragė, Lithuania, which makes continued profitable growth possible in the area.
- Significant capacity increase in offshore oil/gas extraction with expansions in France, Norway and the US.
- Two new facilities under construction in China for Infrastructure Construction in Qingdao and for Industry in Wuxi.

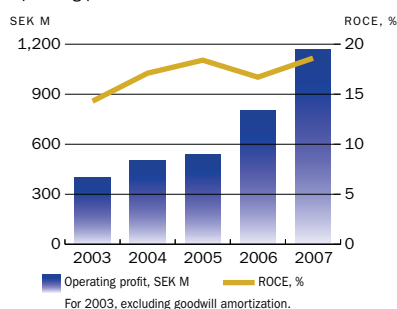
Sales and earnings

- Organic sales growth totaled 9 percent. Total sales growth was 26 percent. This strong increase is related to strong demand in prioritized segments and to completed acquisitions. An extended product range to meet customer demand for total solutions had a positive impact.
- Operating profit, excluding items affecting comparability, rose significantly by 45 percent as a result of volume growth, and the operating margin improved as a result of continued prioritization of attractive segments and efficiency enhancements.
- Operating cash flow was very strong as a result of increased operating profit, despite a significantly higher investment level than the preceding year.

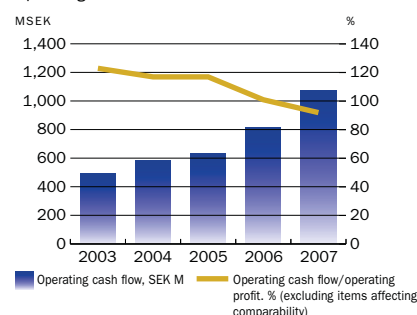
Net sales and ROS*



Operating profit* and ROCE*



Operating cash flow



* Excluding items affecting comparability.



Trelleborg is a world-leading supplier of polymer-based components for cars, such as antivibration products, shims and boots.

Engineered damping for comfortable and quiet cars

Trelleborg Automotive

Business Area President: Roger Johansson
(as of August 2007)

Net sales 2007: SEK 10,299 M

Operating profit 2007*: SEK 203 M

Number of employees:** 10,522

Head office: Trelleborg, Sweden

Production units:

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

Strategic priorities:

- Restore profitability through a focused action program.
- Clear positioning of Trelleborg Automotive within the automotive industry and automotive markets.
- Placement among the three leaders in each product area, with prospects of being able to grow profitably.
- Focus on the right markets and customers by being selective and building on existing customers as they establish themselves in emerging markets.
- Optimization of our global production and excellence in production processes.
- Develop synergies between the production units.

Market position:

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

Key customers:

Benteler, BMW, Chrysler, Daimler, Delphi, Federal Mogul, Fiat, Ford Group, GKN, GM, Hyundai, Nissan, PSA, Renault, Tenneco Monroe, Toyota, VAG and ZF Lemförder.

Principal competitors:

Antivibration Solutions: ZF Boge, Vibracoustic/Freudenberg, Paulstra (Hutchinson), Woco, Continental/Contitech, Cooper Standard and Delphi.

Damping Solutions (shims): Wolverine and MSC.

Insulation & Applied Solutions: ABC, Keeper and Parker.

Fluid Solutions: Hutchinson, Continental/Contitech, Avon and Teklas.

* Continuing operations excluding items affecting comparability.

** Number of full-time employees at the end of 2007.

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

Five business segments

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

Damping Solutions: brake shims and Applied Damping Materials (ADM).

Insulation & Applied Solutions: polymer boots for drive shafts and steering applications, and foam polymer-based car body components and safety impact protection products.

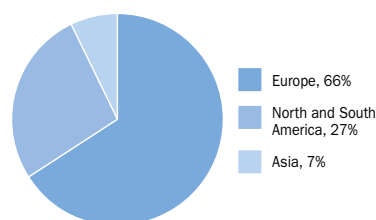
Fluid Solutions: engine-cooling and air-supply solutions.

Gas Springs: spring-based door-opening and closing solutions.

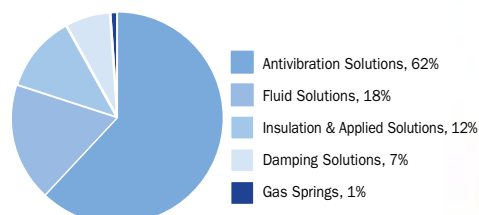
Trends

Developments in the world's automotive markets are the single most important external factor for Trelleborg Automotive. The underlying market growth for light vehicles is moderate in traditional markets in Europe and North America. Growth is strong in Central Europe. Russia is anticipated to become a key

Net sales per geographic market



Net sales per business segment





TRELLEBORG Automotive

Cost reductions continue to be an important item on the agenda for the world's automotive industry. With this in mind, Trelleborg has developed a mounting system that reduces the number of subcomponents and uses air as a damping medium.

market for the future. The domestic markets in China and India continue to grow strongly. South Korea and Japan are growing moderately as local markets, but their auto manufacturers are expanding production in other parts of the world.

Global platforms and standard architectures continue to guide development. This results in manufacturers giving several models the same type of suspension, steering and drive shafts, brake systems and engine types, which enhances efficiency and reduces costs. It also leads to greater flexibility and cuts time to market. For subcontractors, the consequence

is that the demands for global presence increase. Intensified competition, and higher materials and energy prices have resulted in cost pressure remaining high. Trelleborg is tackling this with optimization of global production, development of R&D in growth markets, stronger focus on portfolio management and the development of synergies between the units, excellence in production and globally applicable service levels.

Innovation

Product development within Trelleborg focuses on the customers' and markets' needs for cost-effective solutions that seal, damp and protect and that save weight or space and improve the recyclability of the vehicles.

The business area has a strong global technology platform. Development activities aim for new, improved solutions that combine functional requirements with cost-effective design and production. The key to this strategy is simplified design and alternatives to steel and other metals, as well as the use of thermoplastic to meet recycling needs.

Trelleborg's global production is support-

ed by regional design and development units that are coordinated centrally. Trelleborg is enhancing its focus on complete NVH (noise, vibration, harshness) systems and continuing to build on its position as an acoustics specialist, for example, by offering complete acoustic solutions for brake systems that include shims and mass dampers.

Examples of innovative solutions within Trelleborg Automotive include noise and vibration isolation, with air damping, which eliminates the need for hydraulic fluids in certain applications for active vibration damping, as well as the use of thermoplastic boots for engine suspension systems. Replacement of reinforced rubber hoses with fiber-reinforced cooling hoses of plastic is another example of customized innovation that shortens the manufacturing process and improves recyclability.

Questions to

Roger Johansson

Business Area President
Trelleborg Automotive



Sustainably improved
profitability is our main
focus.

1. What are the most important strategic priorities for your business area in the next few years?

Our main focus is sustainably improved profitability. To achieve this, we will improve the synergies within the business area, review our collective portfolio of products and production units, improve global purchasing structures, identify material alternatives and efficiently transfer knowledge to all parts of the organization.

A central goal is matching our expertise with our customers' global ambitions and satisfying the need for solutions that seal, damp and protect, and add value.

2. What were you most pleased with in the past year?

We are in markets that we believe to have the best growth potential in coming years. This past year, Trelleborg Automotive expanded in Central Europe to meet the need for local

deliveries. We also expanded R&D capacity in Brazil, India, China and South Korea, which supplements our technical infrastructure and supports our customers' global platform strategies.

3. What risks do you currently see in your business environment?

Pricing continues to be a critical factor in our markets. Lowering costs will continue to be vital. Intensified competition is a threat we should view seriously, but I believe our excellent global production conditions, our coordinated approach to R&D, our endeavors in local production and the high quality of our people make us stronger than our competitors.

4. What are the most important opportunities you currently see in your business environment?

More stringent product requirements, parti-

cularly with regard to the optimization of damping in the area of NVH (noise, vibration, harshness). Additionally, strong growth in Asia, Russia and Central Europe means rapidly growing markets for our technology.

5. Can you provide a recent good example of innovation from your business area?

We have a number of good examples, where we have replaced steel with thermoplastic, which reduces weight and costs and increases recyclability. Another exciting development is in air-damping. In general, air dampers have the same characteristics as hydraulic dampers, but are based on more environmentally friendly technology. Moreover, air damping is a brilliant solution to the growing compact car markets because it can be packaged so compactly.



Structure-borne vibrations and noise are unavoidable in all moving steel constructions. A cost-effective damping solution is to locate the source of noise or vibrations and apply Trelleborg Rubore's innovative Applied Damping Material (ADM).

2007: Strong growth, reduced operating margin as a result of continued efficiency problems and increased raw material costs

Key figures	2007	2006
Net sales, SEK M	10,299	9,327
Share of Group net sales, %	33.1	34.3
EBITDA, SEK M (excluding items affecting comparability)	634	616
EBITDA, %	6.1	6.4
Operating profit, excluding items affecting comparability, SEK M	203	219
Operating profit, including items affecting comparability, SEK M	-179	-61
Operating margin (ROS), % (excluding items affecting comparability)	1.9	2.2
Capital employed, SEK M	5,215	4,968
Return on capital employed (ROCE), % (excluding items affecting comparability)	3.9	4.1
Capital expenditures, SEK M	441	490
Operating cash flow, SEK M	100	132
Operating cash flow/operating profit, % (excluding items affecting comparability)	49	60
Average number of employees	10,153	9,354

Market trends

In 2007, car production in North America declined by about 2 percent compared with 2006. In Europe, production increased by 6 percent, strongly driven by increased production in Central Europe. In Asia, car production increased by 11 percent.

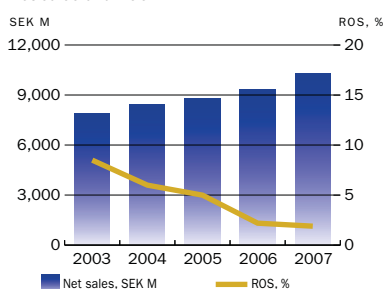
Sales and earnings

- Organic sales growth was 12 percent. The sales trend was particularly strong in the antivibration operation, with solid growth in all markets.
- Operating profit, excluding items affecting comparability, dropped by 7 percent, primarily negatively affected by continued efficiency problems within parts of the operation, increased raw material prices and a lower capitalization of research and development expenses.
- Operating cash flow decreased as a result of a weak working profit and an increase in working capital.

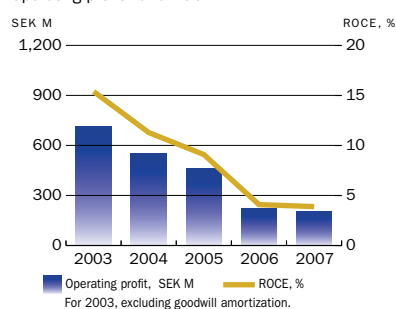
Significant events

- Roger Johansson assumed the role of Business Area President of Trelleborg Automotive in August 2007.
- Newly built factory in Dej, Romania. Increased production capacity from this factory meets the needs of Trelleborg's existing customers.
- Measures in the scope of the action program within Trelleborg Automotive:
 - Decision to close a unit in West Thurrock in the UK. The main part of production is transferred to other units in Europe.
 - Efficiency enhancement measures in European units include the closure of a unit in Mannheim, Germany, a resource transfer from Western Europe to Central Europe, and a concept for the sharing of services in Europe.
 - Decision to close a unit in the US, with the transfer of production to Benton Harbor, also in the US.
 - Divestment of part of AVS operations in Coventry in the UK. The operation is being assumed by the management of the company.
- Decision to consolidate Trelleborg Rubore's North American business to Northville, Michigan.
- Joint venture with Russian ELAD within antivibration products.

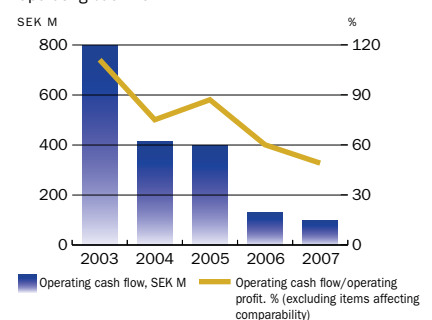
Net sales and ROS*



Operating profit* and ROCE*



Operating cash flow



* Excluding items affecting comparability.



Hydraulic pitch cylinders in wind-power generators with seals from Trelleborg. The cylinder, which alters the angle of the rotor blade, is designed for a long service life in a high-frequency application.

Seals that ensure reliability and service life in demanding environments

Trelleborg Sealing Solutions

Business Area President: Claus Barsøe

Net sales 2007: SEK 5,844 M

Operating profit 2007: SEK 839 M

Number of employees*: 5,783

Head office: Copenhagen, Denmark

Production units:

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

Market offices:

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

Strategic priorities:

- Growth, particularly in North America, Asia and Central Europe and with global customers.
- Strategic acquisitions for growth.
- The market's best service for prioritized customers.
- First-class supply-chain management and customer relationship management.
- Enhanced productivity and cost-efficiency through improved production structure.

Examples of brands:

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

Market position:

Industrial Applications: Market leader in Europe.

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

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

Key customers:

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

Principal competitors:

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

* Number of full-time employees at the end of 2007.

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

Three business segments

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

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

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

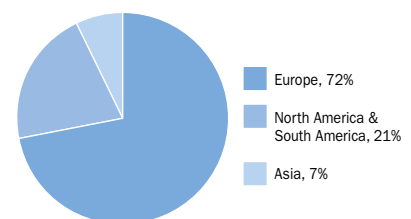
Trends

The market for industrial seals tends to follow the levels of industrial production and growth in the market for durable goods.

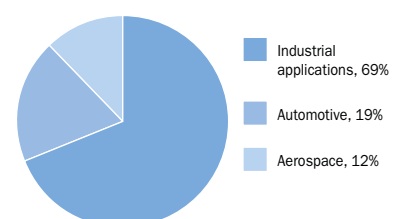
In Europe and North America, the market totals about SEK 18 billion per year.

The market for polymer aircraft seals is driven by the trends in commercial and military

Net sales per geographic market



Net sales per business segment



TRELLEBORG Sealing Solutions



Radial oil seals from Trelleborg are used, for example, in wind power applications

aviation, amounting to approximately SEK 3 billion per year in Europe and the US.

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

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

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

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

Innovation

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

The development of new sealing solutions is based on the market/customers' demands

for improved performance in such areas as system reliability, service life and cost-efficiency. The goal is to principally select projects that have applications in many segments.

Recently developed products, such as Turcon Stepseal® V and Vented Scrapers are typical examples of innovative sealing solutions for the entire hydraulics/pneumatics market – standardized, reliable and cost-efficient sealing systems for a wide variety of applications in agriculture, construction machinery, machine tools, etc.

Questions to

Claus Barsøe

Business Area President
Trelleborg Sealing Solutions



We foresee major business opportunities in the wind-power sector, as well as in the medical and healthcare sector.

1. What are the most important strategic priorities for your business area in the next few years?

Primarily growth in North America, Asia and Central Europe. We will intensify our activities in these growth markets to continuously maintain the same high level of service to our global customers.

In addition, we will focus on strategic acquisitions that improve our penetration in North and South America and Southeast Asia, that provide us with new competencies and customer relations and that allow us to expand in associated markets, such as medical and healthcare-related technology and electromagnetic interference.

2. What were you most pleased with in the past year?

Our increased market share in our selected segments in North and South America and the very strong growth we experienced in China and India.

3. What risks do you currently see in your business environment?

Our main challenges are to retain our market shares in Europe, strengthen our operations in North and South America and further develop the operations in Asia.

4. What are the most important opportunities you currently see in your business environment?

We foresee major business opportunities in the wind-power sector, as well as in the medical

and healthcare sector. We have commenced global growth initiatives in both of these areas to ensure higher than average growth.

5. Can you provide a recent good example of innovation from your business area?

I would like to mention the solution that we developed for pitch cylinders for wind power plants, which required the development of a new sealing profile and a new material.



Construction and agricultural machinery remain key markets for Trelleborg Sealing Solutions in hydraulic applications.

2007: Growth in prioritized segments and improved operating margin as a result of a continued shift toward more profitable segments.

Key figures	2007	2006
Net sales, SEK M	5,844	5,389
Share of Group net sales, %	18.8	19.8
EBITDA, SEK M	1,019	897
EBITDA, %	17.4	16.6
Operating profit, SEK M	839	726
Operating margin (ROS), %	14.4	13.5
Capital employed, SEK M	6,975	6,374
Return on capital employed (ROCE), %	12.5	10.9
Capital expenditures, SEK M	239	198
Operating cash flow, SEK M	751	794
Operating cash flow/operating profit, %	90	109
Average number of employees	5,806	5,618

Market trends

The market conditions for Trelleborg Sealing Solutions were favorable in prioritized industrial segments during the year. Demand was strong in the aerospace industry and in specific industrial segments, such as the chemical processing industry.

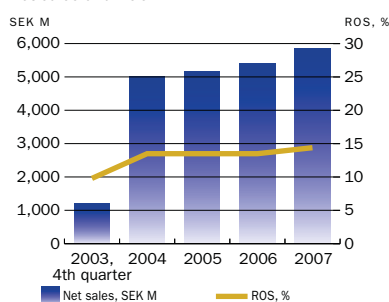
Sales and earnings

- Organic sales growth was 9 percent. Order intake in the Industrial Applications and Aerospace segments was highly favorable. Sales to the Automotive sector also increased slightly, with the focus on more safety-critical and technology-intensive solutions now leading to a better position.
- Operating profit rose by 16 percent as a result of volume growth and the operating margin was strengthened by the shift toward more profitable segments.
- Operating cash flow decreased as a result of a higher investment level and a negative change in working capital.

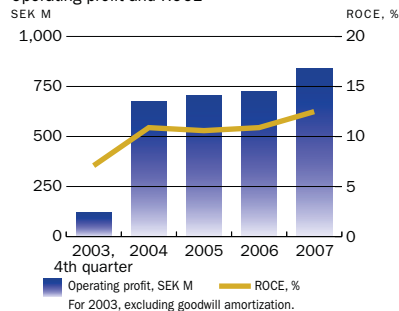
Significant events

- From April 1, 2007, all of the business area's different operations are grouped under the Trelleborg brand. The *Busak-Shamban* brand, which was previously used for the business area's marketing company, was replaced by *Trelleborg Sealing Solutions*.
- Acquisition of the operations in the North American bearing and sealing company Hydro-Components Research & Development Corporation (HCRD).
- Acquisition of the North American company AFM – a rapidly growing supplier of hydraulic seals and customized rubber components.
- Acquisition of the North American company Sealing Solutions Inc. – a leading supplier in the US of both Trelleborg's and other companies' sealing products, mainly to the aerospace industry and industrial OEM companies.

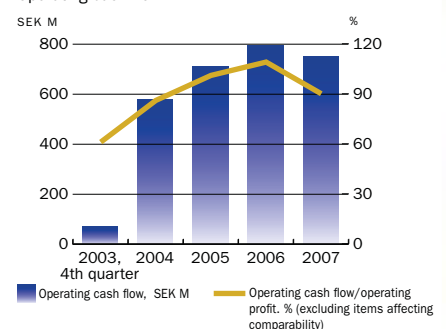
Net sales and ROS



Operating profit and ROCE



Operating cash flow





The Trelleborg TM900 High Power is an advanced extra-large agricultural tire produced in cooperation with leading manufacturers of agricultural machinery and is designed for tractors between 200 and 360 hp for speeds reaching 65 km/h

Damping tires protect harvests and forests

Trelleborg Wheel Systems

Business Area President: Maurizio Vischi

Net sales 2007: SEK 3,248 M

Operating profit 2007*: SEK 288 M

Number of employees 2007:** 1,912

Head office: Tivoli, Italy

Production units:

Denmark, Italy, Latvia, Sri Lanka, Sweden and the US.

Market offices:

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

Strategic priorities:

- Consolidation of the strong position in Agricultural & Forest Tires, for example, through the successful change of brand from Pirelli to Trelleborg.
- Maintained profitability in Europe for Industrial Tires, consolidation in the US and rationalization within industrial tires.
- Production modernization and rationalization within industrial tires, focusing on Sri Lanka and Latvia.
- Continued focus on capital rationalization, cost-reducing measures and pricing.
- Maintenance of strong positions among OEM customers and further development of after-market customers.

Market position:

Agricultural & Forest Tires: Number two in the agricultural market in Europe.

Industrial Tires: World leader in solid industrial tires.

Examples of brands:

Agricultural & Forest Tires: Trelleborg® and Pirelli® (license).

Industrial Tires: Trelleborg, Bergougnan®, Rota®, Monarch®, Mastersolid® and Orca.

Key customers:

Agricultural & Forest Tires: Manufacturers of agricultural and forest machinery, tire and machinery sales companies and end customers.

Industrial Tires: Original equipment manufacturers of forklift trucks, transport companies, authorities and organizations that are responsible for infrastructure.

Principal competitors:

Agricultural & Forest Tires: Michelin, Goodyear/Titan, Mitas, Firestone/Bridgestone and Nokian.

Industrial Tires: Solideal, Continental, MITL, Aichi and Watts.

* Continuing operations excluding items affecting comparability

** Number of full-time employees at the end of 2007.

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

Two business segments

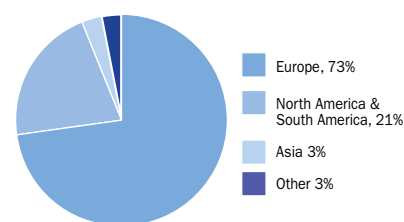
Agricultural & Forest Tires: Tires and wheel systems for tractors and other vehicles used in agriculture and forestry. The business area is a leader in the segment for extra-large tires, in which Trelleborg has a broad range.

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

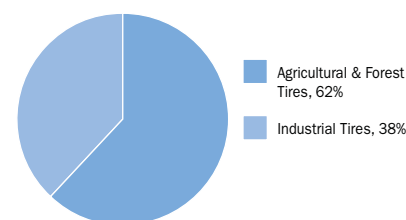
Trends

Although the European agricultural and forest markets are mature, demand for efficient equipment, vehicles and large and high-grade tires is increasing in parallel with demands for cost-effective production. This trend was strengthened in 2007, with favorable growth in the segment for extra-large tires in Europe. The trend is for agricultural operations to merge, forming larger farms using larger tractors and, consequently, larger tires. In Europe, it is

Net sales per geographic market



Net sales per business segment



TRELLEBORG Wheel Systems



The latest generation of tires for combine harvesters, the TM2000, offers maximum protection against jolts and punctures, optimal lateral stability, high carrying capacity and exceptional traction.

essential to also take into account how well the tires function on country roads at high speeds, which is necessary when users move between different workplaces.

Growth in the farming and forestry sectors primarily involves radial tires, a segment in

which Trelleborg has been a pioneer. The proportion of radial rear tires in Europe is now approximately 70 percent, with an increasing market for larger dimensions, in which Trelleborg holds a strong position. However, the market for cross-ply tires is diminishing annually.

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

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

Innovation

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

is being developed in cooperation with leading manufacturers of agricultural and forest machines.

A number of priority factors are that tires must be able to handle high speeds, enhance comfort, have reliable road-holding capabilities, be robust and meet high environmental requirements. At the same time as machines must be able to move at increasingly high speeds on the roads, their tires should not harm the soil or forest vegetation. With its tire dimensions and radial tires, Trelleborg has successfully protected valuable soil by reducing the damage caused by heavy equipment.

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

Questions to

Maurizio Vischi

Business Area President
Trelleborg Wheel Systems



“The long-term trends for both of our segments, industrial tires and agricultural tires, appear favorable.”

1. What are the most important strategic priorities for your business area in the next few years?

That we successfully reposition the Pirelli brand to the Trelleborg brand within Agricultural Tires. We are in the middle of the process and the market's reaction has been highly positive. In addition, we succeeded with our restructuring programs, for example, relocating the production of industrial tires from the US to Sri Lanka.

2. What were you most pleased with in the past year?

That for the fourth consecutive year we reported a two-figure increase in profit at EBIT level, and that we improved the operating margin and return on capital employed.

3. What risks do you currently see in your business environment?

The long-term trends for both of our segments, industrial tires and agricultural tires, appear favorable. A risk that we encounter is primarily internal, and that is if we were to stop and be content with what we have achieved. But that is what we intend to avoid, and we are fully focused on moving forward.

4. What are the most important opportunities you currently see in your business environment?

The most important business opportunity is represented by the continuous growth found in our two markets. The agricultural market, which is driven by elevated demand for food for an expanding population and, at the same time, larger areas dedicated to biofuel production, and the industrial market, driven by

economic globalization, which increases demand for materials-handling vehicles that use our industrial tires.

5. Can you provide a recent good example of innovation from your business area?

Regarding technical innovation, our philosophy is to continuously improve product performance by constantly comparing ourselves with our principal competitors. We are considered to be leaders in technology in both of our segments. Another dimension associated with research is our marketing. We communicate differently with the market compared with our competitors; this is something that has emerged over time and for which we have gained recognition with all of the awards we have received, including for our most recent campaign.



The world's largest Ferris wheel in Singapore will be opened in 2008. The power transmission for the wheel's rotation is accomplished using tires produced by Trelleborg.

2007: Strengthened operating profit and operating margin as a result of a successful product mix strategy.

Key figures	2007	2006
Net sales, SEK M	3,248	3,145
Share of Group net sales, %	10.4	11.6
EBITDA, SEK M (excluding items affecting comparability)	374	334
EBITDA, %	11.5	10.6
Operating profit, excluding items affecting comparability, SEK M	288	243
Operating profit, including items affecting comparability, SEK M	261	222
Operating margin (ROS), % (excluding items affecting comparability)	8.9	7.7
Capital employed, SEK M	1,679	1,418
Return on capital employed (ROCE), % (excluding items affecting comparability)	18.5	16.3
Capital expenditures, SEK M	171	139
Operating cash flow, SEK M	146	153
Operating cash flow/operating profit, % (excluding items affecting comparability)	51	63
Average number of employees	1,843	1,851

Market trends

In agricultural tires, both the European and North American markets for radial tires were stable during the year, with strong growth in the larger sized tires. In industrial tires, the trend was positive, driven by highly advantageous growth for OEMs.

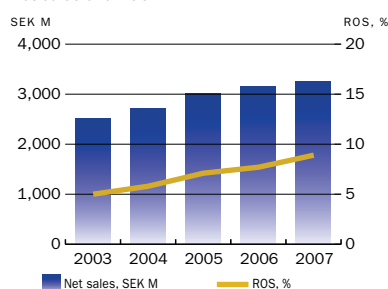
Sales and results

- Organic sales growth was 6 percent. The two business segments, Agricultural & Forest Tires and Industrial Tires, both experienced good growth, which resulted in an overall growth increase despite a conscious down-sizing of sales of coated fabrics.
- Operating profit, excluding items affecting comparability, increased by 19 percent, primarily as a result of the successful product mix strategy, both in Agricultural & Forest Tires and Industrial Tires.
- Operating cash flow remained at the same level as the preceding year, with profit improvements balancing out a higher level of investment.

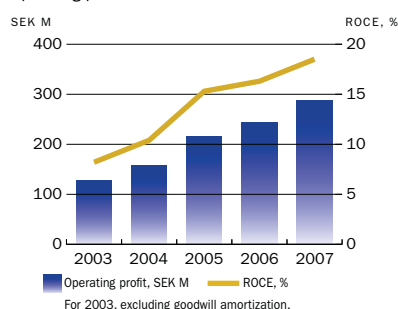
Significant events

- The project to transfer industrial tire production from Hartville, USA, to Sri Lanka continued. The project will lead to fully operational production during the first six months of 2009.
- Production of wheels for specialty tires will be relocated from Hadsten, Denmark to a new unit in Liepaja, Latvia. This transfer will create the conditions for competitively manufacturing this relatively short series of special products. The unit in Liepaja will be placed in operation during the second quarter of 2008.
- Acquisition of Solid Service Group, one of the largest suppliers of industrial tires in Australia. The operation focuses on specialized service for industrial customers, including fixed pressing units and mobile pressing units for onsite fitting of all types of industrial tires, primarily for various types of forklifts.

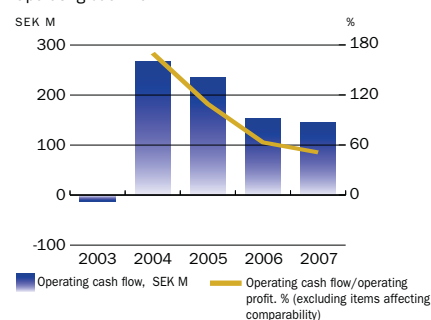
Net sales and ROS*



Operating profit* and ROCE*

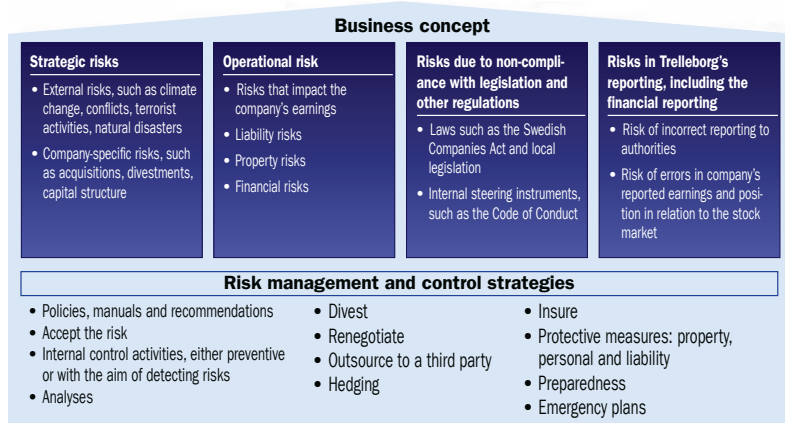


Operating cash flow



* Excluding items affecting comparability.

Moving toward integrated risk awareness



All business activity involves managing risks

The purpose of Trelleborg's risk management is to identify, assess, manage, control, report and monitor significant risks. Risk management addresses strategic risks, operative risks, risk of non-compliance with legislation or other regulations and risk of errors in Trelleborg's reporting, including the financial reporting. Risk management relates to various types of measures to prevent risk and damage-limiting strategies.

Uncertainty regarding future events is an issue faced by all businesses. Future events can impact business operations positively, with the possibility of increased value creation, or negatively, with the risk of non-fulfillment of the operation's targets resulting in reduced value creation for its stakeholders. Accordingly, the ability to manage risks is an important part of the steering and control of Trelleborg's business operation to achieve the Group's targets while applying well-considered risk-taking within set parameters.

For some time now, Trelleborg has worked in a systematic manner in many well-established processes to prevent personal and property damage and has close cooperation with the Group's insurers – FM Global for property insurance and Zürich for liability insurance. The Board of Directors bears the overall responsibility for the Group's risk management. The President is responsible for the day-to-day risk management in accordance with the Board's guidelines and instructions. The Group has a central risk-management function in Group Legal Department that coordinates and develops the Group's risk management as a support for other levels in the Group. The President and the head of the Group Legal Department report periodically to the Board concerning these matters.

In 2008, the focus will be on creating an Enterprise Risk Management approach, with increased integration and utilization of synergies between the diverse processes and systems that manage various elements of the Group's risks in different parts of the Group.

From 2008, risk management will, in addition to risks related to financial reporting, be handled by the Audit Committee with the aim of preparing the issues within this area ahead of Board meetings.

For further information about processes and systems relating to risk management in Trelleborg, see www.trelleborg.com and Trelleborg's 2006 Annual Report.



Raw material risks

Raw material risks are linked to supply and the formation of prices of raw materials necessary for production. Trelleborg purchases large volumes of polymer material, additives and prefabricated metal components.

Historically high prices for all raw materials continued in 2007 as a result of the high level of global demand.

In general, prices for rubber are cyclical, although natural rubber prices are more volatile. To secure a certain price level, natural rubber supplies can be hedged under forward contracts over a long period of time. Prices for most synthetic rubber products are related to the balance between supply and demand and the price trend in NAFTA (refined oil products). The markets for synthetic polymers are often regional and can show differing trends due to volume imbalances. For example, Asia has demonstrated stronger growth, with the consequence that prices have been slightly higher in these countries than in Europe and the US. With its global presence, Trelleborg is largely able to balance these regional price differences.

Risk management activities conducted in 2007:

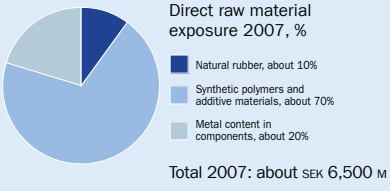
- Preparation of comprehensive Risk Improvement Plans in conjunction with FM Global, with the prioritization of each unit's risk work, which also provides financial incentives in the form of discounts on insurance costs.
- Within the framework of our multi-year risk-assessment system, Blue Grading, insurance premiums for property protection are now allocated solely on the basis of forward-looking risk.
- Together with Zürich, Trelleborg conducted a number of liability risk analyses of key parts of operations in Trelleborg Automotive, Engineered Systems and Sealing Solutions. The purpose is to identify all liability risks that can arise in certain operations and develop suitable ways to manage these risks. The Group-wide program for the review of the Group's various liability risks, the so-called Liability Loss Prevention program initiated in 2005, is continuing.
- A result of such a liability risk analysis is the development of a risk assessment tool, a Risk Matrix, for offshore operations – one of the Group's largest growth areas and an area in which business conditions and risks can vary considerably compared with traditional industry. This risk assessment tool can also be used by other parts of the Group, particularly those that are project-based or relate to products for infrastructure.
- In conjunction with experts from the insurance broker Willis, Trelleborg Wheel Systems performed a Business Interruption Analysis on the operation in Sri Lanka that provided improved opportunities to counteract and minimize the effects of a possible temporary business interruption.
- During the year, Trelleborg's requirement of broker and expert services for risk management, as well as the balance between how internal and external resources are applied, was reexamined, resulting in such benefits as increased cost efficiency in operations.
- The introduction of improved and advanced Group-wide processes and process tools for preparation, implementation, integration and follow-up of acquisitions.

In 2007, the focus was to monitor risks and opportunities in relation to:


- Legal issues
- Structural measures
- Capacity utilization
- Raw material costs
- Acquisitions and integration
- Talent management

Operational risk management

Risks that impact the Group's earnings

	Management	Exposure
Lower revenues as a result of reduced sales or declining prices.	<ul style="list-style-type: none"> Continuous monitoring of markets and competitors to counteract developments with suitable measures in various ways. The spread of the operation over a large number of geographic markets and various customer categories balances risk and cyclical fluctuations. Continuous development of new solutions ensures competitiveness. See pages 20-21. 	No single customer has more than a marginal effect on the Group's earnings.
Availability and price fluctuations of raw materials and components.	<ul style="list-style-type: none"> Group-wide purchasing organization with efficient procedures for the best terms. Natural rubber supplies hedged under forward contracts provide price stability over an extended period. Continuous assessment to manage a volatile trend. Global presence balances regional price differences and exchange-rate differences. Close relationships with world-leading suppliers provides competitive prices and access to market information and technology development. Alternative suppliers for all key raw materials. Identification of alternative strategic material is conducted on a regular basis. 	 <p>Direct raw material exposure 2007, %</p> <ul style="list-style-type: none"> Natural rubber, about 10% Synthetic polymers and additive materials, about 70% Metal content in components, about 20% <p>Total 2007: about SEK 6,500 M</p>
Acquired plants do not develop according to expectations.	<ul style="list-style-type: none"> Well-established acquisition expertise and systematic processes that extend from identification, assessment and acquisition to integration of the acquired operation, reduce risk. 	The Group's acquisitions are presented on page 19. Historical acquisitions are presented on Trelleborg's website.
The results of structural measures taken are not as expected.	<ul style="list-style-type: none"> The adopted structural program is continuously and systematically followed up in well-established reporting systems. 	A summary of continuous programs is presented on page 50.
Disruptions in operations resulting from breakdowns, industrial disputes, natural disasters or similar events.	<ul style="list-style-type: none"> Global presence offers considerable opportunities to transfer operations to alternative locations thereby ensuring deliveries. The risk of industrial disputes has been reduced through continuous dialog with employee representatives. 	For geographic presence, see pages 116-117.
High capacity utilization that can result in disruptions in operations.	<ul style="list-style-type: none"> Expansion of capacity in prioritized segments. Flexible production that includes sourcing directly from a third party. 	Capacity utilization was high in certain operations in 2007. This was managed with limited disruptions as a result.
Loss of key personnel can adversely affect earnings capacity.	<ul style="list-style-type: none"> Structural expertise in such areas as applications, processes, technologies and customer relationships is guaranteed in the Group through documentation and internal dissemination. The Talent Management Program ensures access to key expertise in the Group. The travel policy regulating how key personnel may travel together safeguards the operation in the event of an accident. 	

Liability risks

Personal injury or damage to property, products sold, or compliance with legislation and regulations.	<ul style="list-style-type: none"> The Liability Loss Prevention Program systematically identifies, assesses the probability of and quantifies liability risks to prevent risks and their development into losses. Implementation of common values and Code of Conduct. 	The Group has adequate insurance cover based on local and Group-wide responsibility.
Employee injuries related to the work environment.	<ul style="list-style-type: none"> The Safety@Work program, which focuses on risks in the work environment, ensures that the Group's best methods in the work-environment area are applied in the entire Group. Trelleborg applies official recommendations for employees concerning travel in and to critical regions. 	At year-end 2008, it is estimated that the Safety@Work program will be introduced at 90 percent of the Group's production units.
Damage to the atmosphere, water, ground and biological processes.	<ul style="list-style-type: none"> Well-developed central and local organization monitors the Group's environmental issues. All production units shall be certified in accordance with ISO 14001. Established program will reduce CO₂ emissions. Environmental issues are a central element of due diligence, which is conducted in connection with acquisitions. 	At December 31, 92 of the Group's production units were ISO 14001 certified. Certification is planned for a further 15 units in the next year. Information pertaining to sustainability is reported in accordance with the structure established by the Global Reporting Initiative. See www.trelleborg.com . 
Ongoing and potential disputes.	<ul style="list-style-type: none"> The legal disputes and risk for such that may arise from time to time are reported regularly to Group Legal Department for analysis and review. In cases that arise, proceedings are handled by a qualified legal representative under the supervision of Group Legal Department. Information is provided to the Board and Group management on an ongoing basis with regard to relevant legal disputes. 	Considering the size and scope of the operation, the Group's involvement in disputes and legal proceedings is very limited and no claim may be assumed to have more than a marginal impact on the Group. The exception is the investigations of competition issues at the subsidiaries in the US and France. See page 49.

Property risks

Change in value of non-current assets.	<ul style="list-style-type: none"> In conjunction with the acquisition of companies and other production plants, purchased assets and liabilities are valued carefully in accordance with compiled principles. In conjunction with year-end closing, PPE and intangible fixed assets are valued – for example, goodwill – and impaired where necessary on a continuous basis. 	In 2007, PPE and intangible fixed assets were impaired by SEK 87 M (238). See notes 14, 15.
Customer losses as a result of a dispute or because the customer has become insolvent.	<ul style="list-style-type: none"> The purpose of the Group's capital rationalization program is, in part, to minimize the outstanding receivables, which are continuously monitored and collected. The Group applies a restrictive credit policy and conducts a thorough credit rating investigation. When providing credit to customers in countries with a heightened political risk, reinsurance is considered. 	Trelleborg's receivable from the individual customer is relatively small in relation to the outstanding receivable portfolio. This means that the risk of customer losses is limited.
Fire, theft and burglary of production facilities.	<ul style="list-style-type: none"> A highly extensive, detailed and continuous risk-inspection program is conducted in which all of the Group's production plants are inspected by the Group's insurer. The safety and protection levels of the Group's plants are continuously reviewed. 	All fixed assets are adequately insured, both with regard to property value and earnings capacity.

Financial risk management

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

Group Treasury

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

Risks and policies

Financing risk and liquidity risk

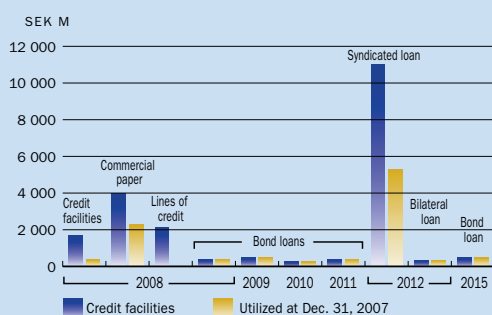
Financing risk is defined as the risk that the refinancing of maturing loans may be difficult or costly to arrange thereby impeding the Trelleborg Group's ability to fulfill its payment obligations.

Liquidity risk relates to the risk of not being able to fulfill obligations that are associated with financial debts.

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

Exposure

Loans granted and utilized credit facilities with maturity structure



Current financing that matures in 2008 primarily comprises borrowing through a commercial paper program and bond loans. For this short-term financing, there is long-term backing in the form of an unutilized portion of the syndicated loan that will reach final maturity in 2012.

The liquidity analysis for outstanding financial instruments on the balance-sheet date is presented in note 28.

Group's capital structure

SEK M	2007	2006
Interest-bearing liabilities (note 27)	10,722	10,084
Less: interest-bearing assets (notes 16, 23 and 25)	-629	-734
Net debt	10,093	9,350
Total shareholders' equity	10,052	9,687
Debt/equity ratio	100%	96%

Comments

To safeguard capital accessibility and flexibility, the Trelleborg Group has various types of borrowing programs with varying durations. A syndicated loan, raised in March 2005, forms the foundation of the Group's financing. This loan is divided into two tranches, one tranche amounting to EUR 750 M (SEK 7,112 M) and the second tranche amounting to USD 600 M (SEK 3,881 M). The larger part of the loan will mature in March 2012 (SEK 10,608 M), while a smaller part will mature during 2011 (SEK 385 M). The Group also has nine bond loans maturing between 2008 and 2015, for a total of SEK 2,013 M. In addition, there is a bilateral loan of EUR 30 M (SEK 284 M) that matures in 2012. At year-end 2007, Trelleborg had utilized SEK 7,602 M (6,940) of these total credit facilities of SEK 13,290 M. Other non-current credit facilities in the Group amounted to SEK 57 M at the end of 2007.

In addition to these non-current credit facilities, Trelleborg has a commercial paper program totaling SEK 4,000 M, or the corresponding value in EUR. The tenure of the certificates is a maximum of 12 months. At year-end 2007, approximately SEK 2,276 M (2,262) of the program had been utilized. In addition, the Group has contracted current credit facilities (due for payment within one year) for its borrowing needs in an amount of SEK 1,687 M (1,577). The Group also has current, non-committed credit lines, which amounted to about SEK 2,127 M (2,353) at the end of 2007. For a breakdown of the Group's credit facilities, see note 27.

Management carefully monitors forecasts for the Group's liquidity reserve on the basis of anticipated cash flows.

Liquidity analyses for the financial instruments held by the Group on the balance-sheet date are presented in note 28.

The Group follows up the capital structure on the basis of debt/equity ratio, which is defined as net debt in relation to total shareholders' equity. The target for the Group's capital structure is set to achieve an optimized balance between risk and return. Accordingly, the Group has determined that a debt/equity ratio within the interval of 75–125 percent is reasonable considering sensitivity to fluctuations in the business cycle and to favorable cash-generating capacity. The debt/equity ratio is followed up on a monthly basis.

At year-end 2007, the debt/equity ratio was 100 percent (96), which is within the target interval. The increase in the debt/equity ratio is primarily a result of acquisitions. The net effect of acquisitions and divestments increased indebtedness by SEK 489 M, corresponding to about 5 percent of the closing balance of shareholders' equity.

Financial credit risks

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

Policy Group Treasury shall work with banks that have a high credit rating and that preferably participate in the Group's medium and long-term financing. The treasury policy contains a specific counterparty regulation that stipulates the maximum level of exposure to credit risks for various counterparties. For further information, see note 28.

Comments

At year-end, cash and cash equivalents amounted to SEK 530 M (616). See note 25.

The Group is a net borrower and excess liquidity shall primarily be used to amortize external liabilities. During 2007, no credit losses arose from the investment of cash and cash equivalents or from trading with counterparties in financial transactions.

Outstanding financial credit risk exposure at the balance-sheet date is presented in note 28.

Risks and policies

Foreign-exchange risk

Foreign-exchange risk is the risk of exchange-rate fluctuations having an adverse impact on the consolidated income statement, balance sheet and/or cash flows. Foreign-exchange risk occurs in the form of both transaction and translation risk.

Transaction exposure

Currency flows arising when goods and services bought or sold in currencies other than the subsidiary's local currency give rise to transaction exposure.

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

Translation - Income statement

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

Policy The Group shall not normally hedge this risk.

Translation - Balance sheet

In connection with the translation of Group investments in foreign subsidiaries to SEK, there is a risk that changes in exchange rates will affect the consolidated balance sheet.

Policy Investments in foreign subsidiaries and associated companies may be hedged to between 0 and 100 percent of the investment's value (which, because of the tax effect, implies a maximum hedge of 70 percent). A decision to hedge follows an overall evaluation of foreign exchange levels and the effects on costs, liquidity and taxes, as well as on the Group's debt/equity ratio.

Interest-rate risks

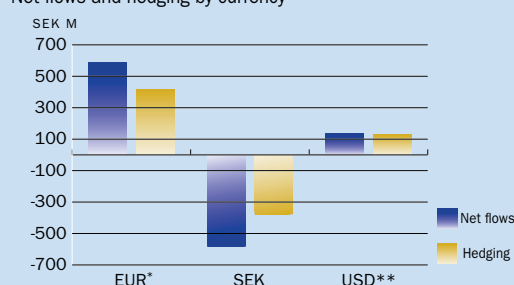
Interest-rate risks pertain to the negative impact market interest-rate movements have on the Group's earnings. The impact on the Group's interest income/expenses depends on fixed-interest terms for borrowing and investments. The Group seeks a balance between the estimated current cost of borrowing and the risk of sustaining a significant negative impact on earnings in the event of a sudden, major movement in interest rates.

Policy Borrowing: The average fixed-interest term for the Group's gross borrowings, including effects of derivative instruments, may be a maximum of four years.

Investments: The average fixed-interest term for interest-bearing investments, including effects of derivative instruments, may be no longer than two years on a maximum amount of SEK 2,000 M, or its equivalent in other currencies.

Exposure

Net flows and hedging by currency



* EUR includes flows in currencies that covary with EUR, such as DKK and MLT.

** USD includes flows in currencies that covary with USD, such as LKR, CNY and HKD.

Currency pairs with largest net flows

Currency pair	Net flow, 12 months (SEK M)
EUR/DKK	316
EUR/LKR	306
GBP/SEK	208
EUR/SEK	198
GBP/USD	-155
EUR/CZK	141
EUR/GBP	117
USD/SEK	111
EUR/NOK	-106
EUR/CNY	-98

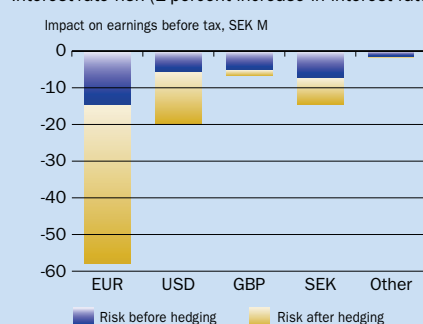
Translation effects: Currency effect on income statement

Currency	Net sales	EBIT	Net result
EUR	-18	-5	1
GBP	-8	1	1
USD	-515	-24	-4
Other	-64	-21	-25
Total	-605	-49	-27

Sensitivity analysis of translation exposure in the balance sheet, before consideration of possible tax effects.

Currency	Net investment SEK M	Hedging, percent	Effect on equity, if SEK 1% stronger SEK M
EUR	8,763	54%	-40
GBP	2,041	41%	-12
USD	2,481	46%	-13
Other	3,662	16%	-31
Total	16,947	43%	-96

Interest-rate risk (1-percent increase in interest rate) 2008



Comments

Trelleborg's global operation gives rise to extensive cash flows in foreign currencies. Group Treasury work actively to enhance matching of these flows to thereby reduce the Group's foreign-exchange risk and transaction expenses. At a Group level, the greater part of these flows are netted against each other.

The Group's net exposure amounts to an annual value of approximately SEK 2,700 M (2,300).

The adjoining diagram illustrates the currencies with the greatest net flows and how much of these flows were hedged at December 31, 2007. The diagram takes into account currencies that covary with EUR and USD.

The table shows the currency pairs with the largest annual net flow without taking into account hedging. A positive net flow indicates that the inflows exceeded outflows.

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

Foreign exchange forward contracts or currency options are used to hedge operative cash flows.

Upon translation of the income statements of foreign subsidiaries, exchange-rate movements negatively affected the Group's operating earnings for the year by a total of SEK 49 M (neg: 7) and net profit in a negative amount of approximately SEK 27 M (pos: 1).

At year-end 2007, the Group's net investments in foreign subsidiaries and associated companies amounted to approximately SEK 16,947 M (14,830). The increase in the Group's investments is due primarily to a change of the capital structure and accrued profits from foreign operations. Translation differences in 2007 amounted to SEK 89 M (neg: 730), calculated after hedging through loans and derivative instruments with deductions for estimated taxes. At year-end 2007, 43 percent (33) of net investments had been hedged. If SEK is strengthened by 1 percent in relation to all currencies in which the Trelleborg Group has foreign net investments, there would be a negative change in shareholders' equity of SEK 96 M (neg: 100) before consideration of possible tax effects.

As per December 31, 2007, the Group's interest-bearing borrowing totaled SEK 10,722 M (10,084). The average remaining fixed-interest term for the loans was approximately eight months (six months), including derivatives. Outstanding investments at year-end amounted to SEK 629 M (734), with an average period of fixed interest of approximately half a month (half a month). The Group's interest-bearing net liabilities amounted to SEK 10,093 M (9,350), with an average remaining period of fixed interest of about eight months (six months). Based on the level of net debt at year-end, a 1-percentage point rise in interest rates in all countries in which the Trelleborg Group has loans or investments would generate a net cost increase of approximately SEK 34 M (45) in net financial items for 2008. The Group's average net liabilities during the year amounted to SEK 9,968 M (8,710). Net interest items and net financial items, as a percentage of average net liabilities, amounted to 4.4 percent (3.5) and 4.4 percent (3.6), respectively. Outstanding interest-bearing investments are reported in Notes 16, 23 and 25. The Group's borrowing and its distribution by currency, interest rates and fixed-interest terms are reported in Note 27.



SEAL

Exploring Mars. In preparation for a visit by humans, NASA chose specially developed polymer seals from Trelleborg, which protect the sensitive equipment and cameras on the Spirit and Opportunity Mars exploration rovers.

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Comments on the consolidated income statements

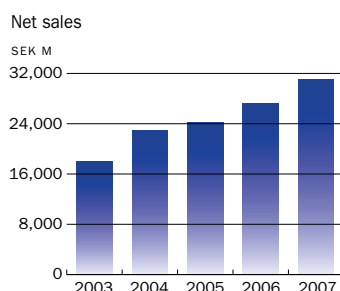
The order and delivery scenario was good in 2007. The Group reported strong organic growth of 10 percent. Efficiency enhancements in operations and a continued focus on profitable segments created increased growth and margin improvements. The earnings trend remained favorable for operations outside the automotive industry. Three of four business areas increased operating profit. Trelleborg Automotive's earnings were negatively impacted by efficiency problems and increased raw material prices. Activities within the framework of Trelleborg Automotive's strategic and operational review continued according to plan in 2007.

During the year, Trelleborg Engineered Systems and Trelleborg Wheel Systems also launched restructuring projects that entail the transfer and specialization of certain types of production to increase competitiveness and realize synergies.

Net sales

Market conditions during the year remained favorable in several of Trelleborg's prioritized market segments, particularly in such areas as Aerospace, Infrastructure/Construction, Oil/Gas industry and General Industry. Sales increased in all business areas. In 2007, the Group's net sales rose by 14 percent to SEK 30,971 M (27,284). For comparable units/exchange rates, the increase was 16 percent.

To meet increased demand in selected segments, Trelleborg made a number of investments in new facilities during the year. The Group's strategy of growing within attractive segments with favorable growth and profitability potential, and where the three primary customer needs of sealing, damping and protecting play a key role, led to a number of acquisitions during the year with combined annual sales of about SEK 425 M and 265 employees.



Consolidated net sales amounted to:

SEK M	2007	2006
Continuing operations, SEK M	30,810	26,875
Discontinued operations, SEK M	161	409
Total	30,971	27,284

With the following change in percent:

Change, %	Continuing operations	Discontinued operations	Total
Organic growth	+10		+10
Structural changes	+7	-1	+6
Exchange-rate movements	-2		-2
Total	+15	-1	+14

Net sales by business area, continuing operations:

SEK M	2007	2006	Nominal change, %
Trelleborg Engineered Systems	11,745	9,310	26
Trelleborg Automotive	10,299	9,327	10
Trelleborg Sealing Solutions	5,844	5,389	8
Trelleborg Wheel Systems	3,248	3,145	3
Eliminations	-326	-296	
Group	30,810	26,875	15

In 2007, *Trelleborg Engineered Systems* recorded strong organic growth of 9 percent. The project-oriented Infrastructure Construction and Offshore segments reported a highly favorable trend. Demand in the Building segment in the Scandinavian market remained strong. A broadening of the range to satisfy customer demands for complete solutions also had a positive impact on growth.

For *Trelleborg Automotive*, there was a relatively strong increase in volumes, with organic growth of 12 percent. The sales trend was good in Antivibration operations, with favorable growth in all markets. The sales improvement is a result of increased market shares and strong growth in underlying markets in Central Europe and Asia, where Trelleborg had already expanded its presence.

The market conditions for *Trelleborg Sealing Solutions* were favorable in prioritized industrial segments during the year. Organic growth was 9 percent and the order intake in the Industrial Applications and Aerospace segments was highly favorable. Sales to the Automotive sector also increased slightly, with the focus on more safety-critical and technology-intensive products resulting in improved positioning.

Trelleborg Wheel Systems increased its total sales during the year. This was achieved despite the conscious decision to discontinue sales of coated fabrics. Both business segments, Agriculture & Forest Tires and Industrial Tires, recorded favorable growth, mainly due to the business area's successful product mix strategy. Organic growth totaled 6 percent.

Net sales per market

Europe remained the most important market for the Trelleborg Group. However, the Group further strengthened its presence in new growth markets during the year. Sales growth was 11 percent in Europe, 22 percent in North and South America and 30 percent in Asia and the rest of the world.

Consolidated income statements

SEK M	Note	2007	2006
Continuing operations			
Net sales	2	30,810	26,875
Cost of goods sold		-23,151	-20,186
Gross profit		7,659	6,689
Selling expenses		-2,244	-2,062
Administrative expenses		-3,002	-2,625
Research & development costs		-550	-496
Other operating income	6	404	395
Other operating expenses	6	-563	-440
Share of profit or loss in associated companies	7	12	22
Operating profit	3,4,5,8,9,10	1,716	1,483
Financial income	11	26	19
Financial expenses	11	-465	-332
Profit before tax		1,277	1,170
Tax	12	-430	-402
Net profit		847	768
Discontinuing operations			
Net sales		161	409
Operating profit		-9	24
Profit before tax		-9	23
Net profit		-9	-2
Total			
Total net sales		30,971	27,284
Total operating profit		1,707	1,507
Total profit before tax		1,268	1,193
Total net profit		838	766
- of which attributable to Parent Company's shareholders		821	751
- of which attributable to minority interest	13	17	15
Earnings per share, SEK			
<i>Continuing operations</i>			
Earnings		9.20	8.30
Diluted earnings		9.20	8.30
Earnings, excluding items affecting comparability ¹⁾		14.00	11.70
<i>Total</i>			
Earnings		9.10	8.30
Diluted earnings		9.10	8.30
Dividend ²⁾		6.50	6.00
Number of shares			
Average		90,357,261	90,357,261
Average, after dilution		90,357,261	90,357,261
		-435	-304

1) Net earnings have been adjusted for items affecting comparability, SEK M.

2) In accordance with the Board of Directors' and President's proposal.

Examples of investments conducted include *Trelleborg Engineered Systems* establishment of units in China to follow its customers' expansion. This was also the case for the new *Trelleborg Automotive* unit in Dej, Romania. Another example is the acquisition of the industrial tire manufacturer Solid Service Group, which will offer possibilities for *Trelleborg Wheel Systems* to expand in Australia. Sales in growth markets increased by 28 percent during the year.

Net sales per geographic market, continuing operations:

SEK M	2007	2006
Europe	20,849	18,856
North and South America	7,126	5,834
Asia and other markets	2,835	2,185
Total	30,810	26,875

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

	Sales increase 2007	Share of total sales
Europe, %	+ 11	68
North and South America, %	+ 22	23
Asia and other markets, %	+ 30	9
Total	+ 15	100

Consolidated earnings

Consolidated net profit totaled SEK 1,707 M (1,507). The Group's financial income and expenses amounted to a net expense of 439 (expense: 314), representing 4.4 percent of (3.6) of average net debt during the year. The tax expense for the year totaled SEK 430 M (427). The average tax rate was 34 percent with the following breakdown:

%	2007	2006
Continuing operations, excluding items affecting comparability, %	30	29
Effects of items affecting comparability, %	4	6
Discontinued operations, %	0	1
Total, %	34	36

Net profit totaled SEK 838 M (766) and earnings per share amounted to SEK 9.10 (8.30). Operating profit was adversely impacted by restructuring costs and impairment losses attributable to the action program in the amount of SEK 498 M (expense: 337) before tax. Nonrecurring costs relating to the ongoing competition investigation of subsidiaries had a negative impact on operating profit of SEK 86 M. A capital gain recognized in the first quarter attributable to the sale of a property in Hammarbyhamnen, Stockholm, impacted operating profit positively in the amount of SEK 26 M before tax. These items affecting comparability, which were charged to operating profit in the total amount of SEK 558 M before tax (337) and SEK 435 M after tax (304), were excluded in the statement of the Group's operating key figures.

Discontinued units

The following is recorded as discontinued operations:

SEK M	2007	2006
Operating profit in Trelleborg Automotive's operation in Coventry	-7	-5
Operating profit in Goodall Rubber Company	-2	25
Capital loss related to the divestment of Goodall Rubber Company	-	-76
Reversal of guarantee provision, Bröderna Edstrand	-	80
Operating profit	-9	24
Net financial income/expense attributable to discontinued operations in Goodall	-	-1
Profit before tax	-9	23
Tax	-	-25
Net profit	-9	-2

Operating profit

Operating profit totaled SEK 2,274 M (1,820) for continuing operations, excluding items affecting comparability. Exchange-rate fluctuations in connection with the translation of earnings of foreign subsidiaries had a negative impact on operating profit in the amount of approximately SEK 48 M compared with the preceding year. Operating profit improved for three of the four business areas, mainly due to such developments as favorable volumes and a focus on profitable segments. *Trelleborg Automotive* reported slightly poorer earnings compared with the preceding year, mainly as a result of certain efficiency problems in parts of the operation and higher raw material costs.

Operating profit – continuing operations:

SEK M	2007	2006
<i>Excluding items affecting comparability</i>		
Trelleborg Engineered Systems	1,168	805
Trelleborg Automotive	203	219
Trelleborg Sealing Solutions	839	726
Trelleborg Wheel Systems	288	243
Other companies	-8	-15
Group items	-216	-158
Operating profit, excl. items affecting comparability	2,274	1,820
<i>Items affecting comparability</i>		
Trelleborg Engineered Systems	-89	-36
Trelleborg Automotive	-382	-280
Trelleborg Wheel Systems	-27	-21
Property sale	26	-
Legal nonrecurring costs	-86	-
Operating profit, incl. items affecting comparability	1,716	1,483

Continuing operations excluding items affecting comparability

SEK M	2007	2006
Net sales	30,810	26,875
EBITDA	3,276	2,726
Operating profit	2,274	1,820
Profit before tax	1,836	1,507
Net profit	1,282	1,072

The EBITDA margin amounted to 10.6 percent (10.1) and the operating margin totaled 7.3 percent (6.7). The operating margin improved compared with the preceding year for *Trelleborg Engineered Systems*, *Trelleborg Sealing Solutions* and *Trelleborg Wheel Systems* and this is primarily attributable to an improved product mix, continued prioritization toward attractive segments and positive development in completed acquisitions as well as efficiency enhancements. *Trelleborg Automotive* reported a lower operating margin.

Costs for research and development, including capitalization of SEK 81 M (104), amounted to SEK 520 M (522) during the year. Depreciation and impairment loss of capitalized expenses for research and development amounted to SEK 94 M (57).

Profit before tax totaled SEK 1,836 M (1,507), and net profit amounted to SEK 1,282 M (1,072). Earnings per share were SEK 14.00 (11.70).

Items affecting comparability

Items affecting comparability, corresponding to a total expense of SEK 558 M (expense: 337) before tax, were excluded from the statement of the Group's operating key figures. These items are presented in the table below and comprise income generated by the property sale in the amount of SEK 26 M, nonrecurring costs relating to the ongoing competition investigation at subsidiaries of SEK 86 M and restructuring costs in the business areas of SEK 498 M.

Items affecting comparability were charged to operating profit in an amount of SEK 558 M, with the following breakdown:

SEK M	2007
Cost of goods sold	-70
Selling expenses	-117
Other operating income	26
Other operating costs	-394
Share of profit or loss in associated companies	-3
Total	-558

Property sale

In January 2007, Trelleborg entered into an agreement with Skanska concerning the sale of land in Södra Hammarbyhamnen in Stockholm, Sweden. The purchase consideration amounted to SEK 330 M based on the estimated development rate. At transfer, a payment of SEK 100 M was made and when detailed development plans gain legal approval, an additional purchase payment will be made, which will vary depending on the development level. The transfer payment resulted in a capital gain of SEK 26 M before tax.

Competition investigations at subsidiaries in the US and France

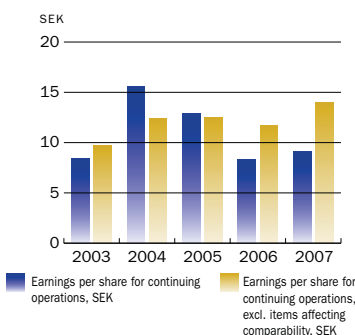
During the year, two of Trelleborg's subsidiaries in France and the US became the subject of investigations by competition authorities in the US, EU, UK, Brazil and Japan.

The two former managers of one of the Group's French subsidiaries pleaded guilty to cartel offences in the oil hose industry. They have come to an agreement with the US justice department regarding fines and prison sentences and began serving their sentences in January 2008 in the US. The managers concerned were dismissed and no longer work for the Trelleborg Group. In a competition investigation pertaining to fender operations, three Americans have pleaded guilty, including the former president. These three individuals no longer work for the Trelleborg Group.

Trelleborg continues to assist the authorities with their investigations and to take the necessary measures in conjunction with these issues.

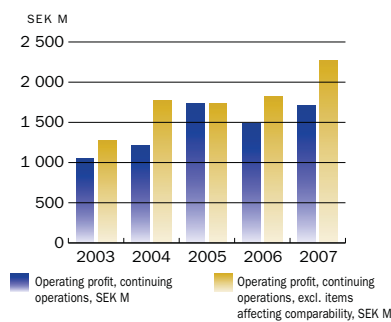
Information and assessments announced earlier concerning the possible impact on the Trelleborg Group stand firm. It is still impossible to accurately assess the final financial impact of the authorities' investigations. However, based mainly on the assessment of Trelleborg's external legal representatives, it can be assumed that the ongoing investigations may lead to the Group incurring significant costs of a non-recurring nature in gradual stages during 2008. Currently, all estimations of the possible financial impact involve considerable uncertainty, but the potential combined financial impact could reach amounts that correspond to a predominant proportion of the Group's pre-tax profits for 2006. Trelleborg takes a very serious view of competition law infringements and already has a very clear and well-communicated set of rules and regulations regarding compliance with applicable competition legislation. However, as a result of events, the Board of Directors and management also decided on an aggressive strengthening of the existing action program aimed at further increasing knowledge of applicable competition rules and further strengthening the Group's internal processes and control system.

Earnings per share*



* For year 2003, excluding goodwill amortization.

Operating profit*



* For year 2003, excluding goodwill amortization.

Costs for the approved action program were expensed continuously. Costs incurred for the ongoing action program, combined with the accumulated and estimated costs of the investigations in progress, were charged against full-year operating profit in an amount of SEK 86 M. The previously communicated estimation that the total costs would amount to about SEK 100 M remains.

The investigations are expected to be completed during 2008.

Action programs in the business areas

Within *Trelleborg Engineered Systems*' business unit for molded components, a decision was made relating to the discontinuation and relocation of the operation from Mörbylånga in Sweden to the business unit's other plants in Sweden and Estonia. The decision is a stage in the process aimed at creating a more efficient production structure with fewer and more specialized units, thereby ensuring cost efficiency for this operation.

Manufacturing in Mörbylånga consists of special polymer components, primarily for heavy trucks. The decision assumes that production is moved to the business unit's other plants in Sweden, principally Forsheda, and to the business unit's plant in Kuressaare, in Estonia. Production in Mörbylånga is expected to continue until the third quarter of 2008. In total, 110 employees in Mörbylånga were given notice.

Trelleborg's unit in Kuressaare on the island of Saaremaa in Estonia, was acquired in its entirety in April 2007. These operations, which currently employ some 60 persons, will have about 120 employees when the relocation is completed.

The costs for discontinuation and restructuring of the molded components operation are estimated at about SEK 30 M before tax, of which the major share will affect cash flow during 2007 and 2008. The anticipated continuous cost savings mean that the project in its entirety is expected to have a relatively short payback time. Furthermore, the number of personnel, mainly within administration, has been reduced at other units within the molded components operation.

Within the business unit for sealing profiles, a decision was taken during the year to implement an action program designed to significantly improve the unit's efficiency. The action program will result in costs of SEK 22 M, mainly attributable to a plant in Minworth, in the UK.

A decision was also taken regarding the first step in the specialization of plants in the area of coated fabrics with the aim of securing the synergies that were already identified in conjunction with the acquisition of Reeves Brothers Inc. in 2006.

Since autumn 2006, an action program has also been under way in the *Trelleborg Automotive* business area. This involves a strategic and operational review and is aimed at improving profitability and the business area's strategic position. The total action program for the Automotive business area, which was initiated in November 2006, is expected to cost about SEK 875 M before tax and about SEK 700 M after tax. The positive annual earnings effect is expected to be approximately SEK 175 M before tax and SEK 115 M after tax on full implementation. The programs are expected to have a gradual positive earnings effect, mainly from the second half of 2008. During 2006 and 2007, within the framework of the program, decisions were taken on the closure of two plants in the UK (Trowbridge and West Thurrock), a plant in Italy (Fergom) and efficiency measures within European operations, comprising, for example, a plant in Mannheim, in Germany, transfer of resources from Western Europe to Central Europe and a shared service concept in Europe. In addition, the Dawson Manufacturing Company, which is 45-percent owned by Trelleborg, decided to close a plant in Dawson, in the US, and relocate production to the company's unit in Benton Harbor, in the US. In December 2007, the vehicle component plant in Coventry, in the UK, was divested.

In *Trelleborg Wheel Systems*, the relocation of Trelleborg's production of rims for special tires from the business area's unit in Hadsten, in Denmark, to a new unit in Liepaja, in Latvia, commenced. The production transfer creates the conditions for competitive production of these relatively small series of special products. The plan is for the new unit in Latvia to be in operation in the second quarter of 2008. The costs of closure and the transfer of production from Hadsten are estimated to amount to approximately SEK 21 M before tax, of which most will affect cash flow in mainly 2007 and 2008. There are plans to divest the existing property in Denmark, which will contribute to a short payback time for the total project. The investment in production in Latvia amounts to approximately SEK 30 M over a two-year period.

Costs for restructuring program

SEK M	Costs 2007	Costs 2006
Trelleborg Engineered Systems	89	36
Trelleborg Automotive	382	280
Trelleborg Wheel Systems	27	21
Total before tax	498	337
Total after tax	389	304

Income statement per quarter**Continuing operations, excluding items affecting comparability**

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2007	2006	2007	2006	2007	2006	2007	2006
Net sales	7,729	6,753	7,904	6,947	7,415	6,270	7,762	6,905
EBITDA	835	695	869	726	779	592	793	713
Operating profit	607	465	596	508	547	370	524	477
Profit before tax	510	397	495	432	428	291	403	387
Net profit	354	277	342	308	308	207	278	280

Group, total

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2007	2006	2007	2006	2007	2006	2007	2006
Net sales	7,776	6,995	7,943	7,038	7,453	6,306	7,799	6,945
Operating profit	445	473	489	510	431	365	342	159
Profit before tax	348	404	388	433	312	286	220	70
Net profit	222	300	259	274	217	201	140	-9

Events after period-end**Changes in the production structure**

In early 2008, a decision was taken to initiate consultations regarding the closure or relocation of production at two of the Group's plants.

Trelleborg Sealing Solutions has decided to initiate consultations regarding the discontinuation of its operation in Derbyshire, in the UK, where manufacturing of large train gangways is conducted. The decision is in line with the business area's portfolio evaluation, which showed that the operation is not considered to offer attractive long-term growth and margin trends.

Trelleborg Engineered Systems has decided to consolidate and focus its production of special hoses and discontinue a number of non-profitable items in its range. This will entail that certain production of special hoses will be consolidated in the town of Trelleborg, Sweden, while certain parts are relocated to the business area's main plant for special hoses in Clermont-Ferrand, France.

The combined costs for the above changes in the production structure are estimated to be less than SEK 60 M, with most of this amount expected to be charged against the first quarter of 2008.

Judgment from Administrative Court of Appeal regarding tax dispute

In a judgment in 2004, the County Administrative Court in Skåne County prescribed for Trelleborg AB deductions for a tax loss carryforward of about SEK 600 M that arose in conjunction with the divestment of operations in 1999. Following an appeal by the Swedish National Tax Board, the Administrative Court of Appeal in Gothenburg has changed the judgment of the County Administrative Court, with the effect that no deductions will be permitted for the loss. Trelleborg published a press release regarding this decision in February 2008.

The value of the tax loss carryforward, which can be estimated at SEK 168 M, was not recorded earlier as an asset in the company's accounts. Accordingly, the Administrative Court of Appeal's judgment will have no impact on the company's income statement or balance sheet.

Trelleborg intends to appeal the Administrative Court of Appeal's judgment in the Swedish Supreme Administrative Court.

Outlook for the first quarter of 2008, presented in the Year-end Report published on February 15, 2008

Continued favorable growth is expected within most of the Group's market segments. For such segments as Aerospace and Offshore Oil/Gas, demand is expected to remain highly robust.

For automotive-related operations, the North American market is expected to be weaker than in 2007, while the European market is expected to remain unchanged.

Comments on the consolidated balance sheets

The Group's total assets amounted to SEK 29,334 M (27,557), an increase of SEK 1,777 M, or 6.4%.

Capital employed has the following breakdown:

SEK M	2007	2006
Inventories	4,012	3,604
Operating receivables	6,831	6,336
Operating liabilities	-7,456	-6,762
Total working capital	3,387	3,178
Non-current assets	16,391	15,542
Shares in associated companies	75	98
Capital employed	19,853	18,818

The Group's capital employed increased to SEK 19,853 M (18,818), an increase of SEK 1,035 M, attributable to:

SEK M	
Company acquisitions	602
Change in working capital and non-current assets	191
Change in shares in associated companies	-23
Translation differences on foreign subsidiaries	265

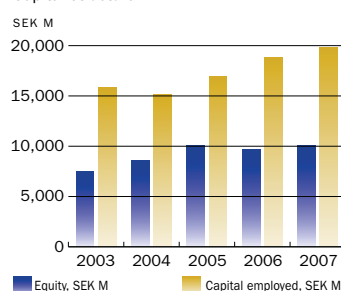
The increased level of tied-up capital in working capital is primarily attributable to a rise in inventories and operating receivables, which is offset somewhat by increased operating liabilities.

In addition to exchange-rate effects, the increase in non-current assets is a combination of gross investments for the year totaling SEK 1,336 M (1,112), of which SEK 121 M in intangible assets, SEK 1,215 M in property, plant and equipment and depreciation for the year in the amount of SEK 992 M (917). Impairment losses amounted to SEK 87 M (238), of which SEK 70 M is related to the Group's ongoing restructuring program.

Return on capital employed (ROCE) for the Group increased to SEK 8.7 percent (8.1). For continuing operations, excluding items affecting comparability, ROCE rose to 11.5 percent (9.9).

Total equity increased during the year by 365 M to a closing balance of SEK 10,052 M (9,687). Exchange-rate differences amounted to a profit of SEK 84 M, including exchange-rate differences (net after tax) on hedging instruments. Dividends amounted to SEK 545 M (498).

Capital structure



Change in total equity, Group

SEK M	Attributable to Parent Company's shareholders						Profit brought forward		Minority		Total	
	Share capital		Other capital contributions		Other reserves		2007	2006	2007	2006	2007	2006
Opening balance, January 1	2,259	2,400	226	226	-114	601	7,209	6,814	107	72	9,687	10,113
Changes during the year												
Acquisitions									4	26	4	26
Reduction of share capital through cancellation of treasury shares		-141						141			-	-
Cash flow hedges, net after tax					-16	10					-16	10
Translation difference					172	-905			-5	-5	167	-910
Hedging of net investments in foreign subsidiaries after tax					-83	180					-83	180
Net profit							821	751	17	15	838	766
Dividend							-542	-497	-3	-1	-545	-498
Closing balance, December 31	2,259	2,259	226	226	-41	-114	7,488	7,209	120	107	10,052	9,687

For other reserves, see also Note 26.

The Board of Directors and the President propose a dividend of SEK 6.50 (6.00) per share, a total of SEK 587 M (542).

Consolidated balance sheets

December 31, SEK M	Note	2007	2006
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	14	6,293	6,008
Goodwill	15	9,381	8,968
Other intangible assets	15	717	567
Shares in associated companies	7	75	98
Financial assets	16-18	63	94
Deferred tax assets	19	829	833
Total non-current assets		17,358	16,568
<i>Current assets</i>			
Inventories	20	4,012	3,604
Current operating receivables	21,22	6,842	6,318
Current tax assets		497	363
Interest-bearing receivables	23,24	95	88
Cash and cash equivalents	25	530	616
Total current assets		11,976	10,989
TOTAL ASSETS		29,334	27,557
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
Share capital	26	2,259	2,259
Contributions of other capital		226	226
Other reserves		-41	-114
Profit brought forward		6,667	6,458
Net profit for the year		821	751
Total		9,932	9,580
Minority interests	13	120	107
Total equity		10,052	9,687
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	27	7,276	6,859
Other non-current liabilities	30	75	41
Pension provisions	31	802	819
Other provisions	32	332	202
Deferred tax liabilities	19	389	459
Total non-current liabilities		8,874	8,380
<i>Current liabilities</i>			
Interest-bearing current liabilities	27	3,446	3,225
Tax liability		563	451
Other current liabilities	30,33	6,140	5,630
Other provisions	32	259	184
Total current liabilities		10,408	9,490
TOTAL EQUITY, PROVISIONS AND LIABILITIES		29,334	27,557
Contingent liabilities	34	12	17
Pledged assets	34	39	41

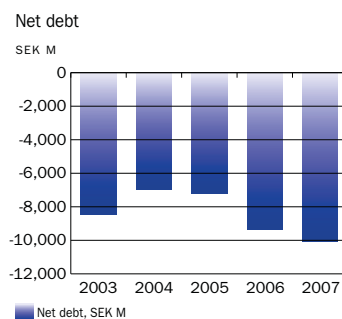
Net debt

SEK M	2007	2006
Non-current interest-bearing investments and receivables	4	30
Current interest-bearing receivables	95	88
Cash and cash equivalents	530	616
Total interest-bearing assets	629	734
Interest-bearing non-current liabilities	-7,276	-6,859
Interest-bearing current liabilities	-3,446	-3,225
Total interest-bearing liabilities	-10,722	-10,084
Net debt	-10,093	-9,350
<i>Change in net debt:</i>		
Net debt at January 1	-9,350	-7,236
Cash flow for the year	-513	-2,499
Borrowing costs	2	-2
Exchange-rate differences	-232	387
Net debt at year-end	-10,093	-9,350
	2007	2006
Net debt/EBITDA ¹⁾ , multiple	3,1	3,4
EBITDA ¹⁾ /net financial items, multiple	7,5	8,7

1) Continuing operations, excluding item affecting comparability.

The Group's net debt increased during the year to SEK 10,093 M (9,350). The purchase consideration for acquisitions made during the year totaled SEK 616 M, including acquisition costs. Exchange-rate differences increased net debt by SEK 232 M. The Group's granted long-term credit facilities amounted to SEK 12,947 M at year-end.

The debt/equity ratio at year end was 100 percent (96). The equity/assets ratio was 34 percent (35). At the end of the period, shareholders' equity per share (90.4 million shares) totaled SEK 110 (106). Return on shareholders' equity amounted to 8.4 percent (7.6). For continuing operations, excluding items affecting comparability, return on shareholders' equity rose to 13.0 percent (10.8).



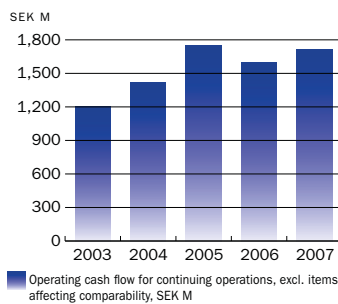
Comments on the consolidated cash-flow statements

Consolidated operating cash flow amounted to SEK 1,718 M (1,594). The improvement compared with the preceding year was mainly associated with the favorable earnings trend in three of four business areas. The increase in the level of tied-up capital in working capital impacted the operating cash flow negatively as a result of the good sales growth. The capital expenditure level excluding divested entities amounted to SEK 1,333 M (1,107), representing 4.3 percent (4.1) of sales.

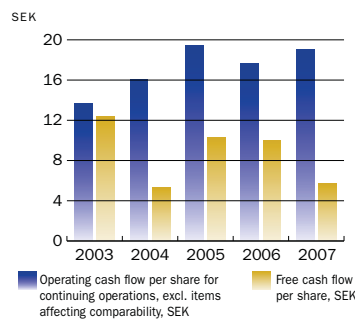
The cash flow amounted to 76 percent of operating profit, excluding items affecting comparability, and accordingly, is just below the Group's target figure of 80-90 percent of operating profit. After deductions for payments made relating to restructuring measures, dividends

to minority shareholders, financial payments and taxes paid, free cash flow amounted to SEK 518 M (905), corresponding to SEK 5.75 per share (10.00). Acquisitions during the year were charged to cash flow in the amount of SEK 616 M. Discontinued operations generated a positive cash flow totaling SEK 127 M, attributable to the sale of land in Hammarbyhamnen, Sweden, and the divestment of the vehicle component plant in Coventry, in the UK. Dividends paid to shareholders amounted to SEK 542 M, corresponding to 105 percent of free cash flow for the year. Total net cash flow amounted to a negative SEK 513 M (neg: 2,499).

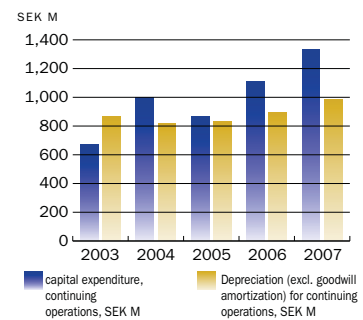
Operating cash flow



Cash flow per share



Capital expenditure and depreciation



Cash flow report

SEK M	EBITDA excl. non-distributed shares in associated companies		Gross capital expenditures		Sold non-current assets		Change in working capital		Total cash flow	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Trelleborg Engineered Systems	1,503	1,066	-432	-271	17	14	-17	6	1,071	815
Trelleborg Automotive	688	674	-441	-490	25	12	-172	-64	100	132
Trelleborg Sealing Solutions	1,041	918	-239	-198	28	72	-79	2	751	794
Trelleborg Wheel Systems	385	346	-171	-139	2	-	-70	-54	146	153
Other companies	-7	-8	-	-	33	1	-28	-7	-2	-14
Group items	-325	-257	-50	-9	2	19	25	-39	-348	-286
Operating cash flow	3,285	2,739	-1,333	-1,107	107	118	-341	-156	1,718	1,594
Utilization of restructuring provisions									-325	-124
Dividend to minority									-3	-
Financial items									-426	-245
Tax paid									-446	-320
Free cash flow									518	905
Acquisitions									-616	-3,095
Divestments									127	188
Dividends paid to shareholders									-542	-497
Total net cash flow									-513	-2,499
Net debt, opening balance									-9,350	-7,236
Total net cash flow									-513	-2,499
Borrowing costs									2	-2
Exchange-rate differences									-232	387
Net debt, closing balance									-10,093	-9,350

Consolidated cash-flow statements

SEK M	Note	2007	2006
<i>Operating activities</i>			
Operating profit		1,716	1,483
Adjustment for items not included in cash flow:			
Amortization of intangible assets	15	149	112
Depreciation of PPE ²⁾	14	836	795
Impairment of intangible assets	15	69	157
Impairment of PPE	14	18	81
Provisions for restructuring costs		484	99
Non-distributed share of profit in associated companies		10	12
		3,282	2,739
Interest received and other financial items		61	67
Interest paid and other financial items		-487	-312
Tax paid		-446	-320
Cash flow from operating activities before changes in working capital		2,410	2,174
<i>Cash flow from changes in working capital:</i>			
Change in inventories		-324	-269
Change in operating receivables		-359	-528
Change in operating liabilities		343	641
Utilization of restructuring provisions		-320	-83
Cash flow from operating activities		1,750	1,935
<i>Investing activities</i>			
Acquired units	35	-616	-3,095
Restructuring measures in acquired units		-5	-41
Divestments ¹⁾	35	127	188
Capital expenditures for intangible assets	15	-121	-132
Capital expenditures for PPE ²⁾	14	-1,212	-975
Sale of non-current assets		107	118
Cash flow from investing activities		-1,720	-3,937
<i>Financing activities</i>			
Change in interest-bearing investments		19	-20
Change in interest-bearing liabilities		400	2,520
Dividend paid		-542	-497
Dividend to minority		-3	-1
Cash flow from financing activities		-126	2,002
Cash flow for the year		-96	0
<i>Cash and cash equivalents:</i>			
Opening balance, January 1		616	663
Exchange-rate difference		10	-47
Cash and cash equivalents, December 31		530	616

1) Including cash flow for units in which an agreement has been concluded concerning divestment as well as property sale.

2) Pertains to continuing operations

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 the OMX Nordic Exchange.

The Board of Directors approved these consolidated financial statements for publication on February 14, 2008.

Summary of important accounting principles

Basis of preparation

The Trelleborg Group's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, the Swedish Financial Accounting Standards Council's recommendation RR 30, Supplementary Accounting Regulations for Groups, and International Financial Reporting Standards (IFRS), as approved by the EU. The Group's financial statements have been prepared in accordance with the cost method, except for in relation to financial assets available for sale, financial assets and liabilities (including derivatives) valued at fair value via the income statement.

In the Group's multi-year summary, data up to and including 2003 was not prepared in accordance with IFRS, but is recorded in accordance with earlier Generally Accepted Accounting Principles in Sweden.

The Parent Company applies the same accounting policies as the Group, except in the instances stated below under "Parent Company's accounting policies." The differences that arise between the Parent Company and the Group's accounting policies are attributable to the limited opportunities for the application of IFRS in the Parent Company, primarily as a result of the Swedish Annual Accounts Act.

Amendments to published standards that come into effect in 2007

IFRS 7, Financial instruments: Disclosures, and the supplementary amendment to IAS 1, Presentation of financial statements – Disclosures about capital, introduces new disclosures concerning financial instruments. IFRS 7 has no impact on the classification and valuation of the Group's financial instruments.

IFRIC 8, "Scope of application of IFRS 2," requires that transactions that affect the issue of equity instruments - in which the payment granted is less than the fair value of the issued equity instrument – shall be tested to establish if it fulfills the requirements of IFRS 2. This interpretation has no impact on the Group's financial reports.

IFRIC 10, "Interim financial reporting and impairment," does not permit the reversal of an impairment loss recognized in an interim period, in respect of goodwill or an investment in either an equity instrument or financial instrument carried at cost, on the following balance-sheet date. This interpretation has no impact on the Group's financial reports.

Standards that the Group applies in advance

The Trelleborg Group does not apply any standards in advance.

Consolidated accounts

Group

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

Subsidiaries

Subsidiaries are companies in which the Parent Company directly or indirectly holds more than 50 percent of the voting rights or otherwise has the right to determine financial and operational strategies in the company.

All subsidiaries are consolidated in accordance with the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, liabilities incurred or assumed on the date of transfer, plus any expenditure directly attributed to the acquisition. The purchase method of accounting entails that the fair value of acquired identifiable assets, assumed liabilities and contingent liabilities in an acquisition of operations, irrespective of the extent of any minority interests, is valued at fair value at the date of acquisition. The excess comprising the difference between the cost and the fair value

of the Group's acquired identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost is less than the fair value of the acquired net assets, the difference is recognized directly in the income statement.

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

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

All intra-Group transactions, balance-sheet items, unrealized gains and Group contributions have been eliminated. Unrealized losses are also eliminated unless the transaction evidences the need for impairment to be recognized in the transferred asset.

Associated companies

Associated companies are companies in which the Parent Company directly or indirectly has a significant but not controlling influence generally corresponding to between 20 and 50 percent of the voting rights.

Investments in associated companies are recorded in accordance with the equity method and are initially recorded at cost. The Group's recorded value of the holdings in associated companies includes the goodwill identified in conjunction with the acquisition at net amount after any recognition of any impairment losses. The associated companies essentially carry out the same operations as the Group's other business activities and, accordingly, shares of profit are recorded in operating profit.

The Group's share in the post-acquisition results of an associated company is recorded in the income statement in the item "Share of profit or loss in associated companies" and is included in operating income. Accumulated post-acquisition changes are recorded as changes in the carrying amount of the investment. When the Group's share in the losses of an associated company amount to, or exceed, the Group's investment in the associated company, including any unsecured receivables, the Group does not record further losses unless it has incurred obligations or made payments on behalf of the associated company. Unrealized gains on transactions between the Group and its associated companies are eliminated in proportion to the Group's participation in the associated company. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Joint venture companies

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

Minority interest

Transactions with minorities are recorded in the same manner as transactions with external parties.

The acquisition of minority interests can result in goodwill if the cost exceeds the recorded liability to minority interests.

The divestment of interests to minorities results in gains or losses, which are recorded in the consolidated income statement.

Discontinuing or divested operations

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

Translation of foreign currencies

Functional currency and reporting currency

Items included in the financial statements of the various entities of the Group are valued in the currency used in the primary economic environment of each company's operations (functional currency). Swedish kronor (SEK) is utilized in the Group accounts, which is the Parent Company's functional currency and presentation currency.

Subsidiaries

The earnings and financial positions of Group subsidiaries and associated companies (none of which use a high-inflation currency) are prepared in the functional currency of each company. In the consolidated accounts, the earnings and financial position of foreign subsidiaries are translated into Swedish kronor (SEK) in accordance with the following: Income and expenses in the income statements of subsidiaries are translated at the average exchange rate for the applicable year, while assets, shareholders' equity and liabilities in the balance sheet are translated at the closing rate. Exchange-rate differences arising from translation are recorded as a separate item directly in the Group's equity.

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

On divestment, the accumulated translation differences attributable to the divested unit, previously recorded directly against shareholders' equity, are realized in the consolidated income statement in the same period as the gain or loss on the divestment.

Goodwill and adjustments in fair value arising in connection with the acquisition of foreign operations are treated as assets and liabilities of these operations and are translated at the closing rate.

Income tax

Income tax in the income statement includes both current tax and deferred tax. Income tax is recorded in the income statement except when an underlying transaction is recorded directly against equity, in which case the related tax effect is also recorded in equity. Current tax is tax payable or receivable for the current year. This also includes adjustment of current tax attributable to prior periods. Deferred tax is recorded in its entirety and calculated using the liability method on all temporary differences that arise between the tax base of assets and liabilities and their carrying amounts in the consolidated accounts. Deferred tax is valued at the nominal amount and calculated by applying the tax rates and tax rules enacted or announced at the balance-sheet date. Temporary differences arise in business combinations on the differences between the consolidated value of assets and liabilities and their tax bases.

Temporary differences that arise on initial recognition of an asset or liability, and are not attributable to a business combination and have not affected accounted or taxable earnings, do not entail a deferred tax asset or tax liability in the balance sheet. Temporary differences are not recognized in investments in subsidiaries and associated companies, since the Group can control the date when these temporary differences are reversed and it is unlikely that they will be reversed in the foreseeable future.

Deferred tax assets are recorded to the extent it is probable that tax surpluses will be available in the future, against which temporary differences can be utilized.

Segment reporting

The Group's operations are managed and recorded primarily by business area and secondarily by geographical segment. Segments are consolidated in accordance with the same policies as for the Group. Intra-Group sales are conducted at arms length. For a description of the different segments, see pages 24-39.

Primary segments:

The Group's business areas comprise assets and operations supplying products that are exposed to risks and opportunities that differ for each business area. The Group is divided into four business areas: Trelleborg Engineered Systems, Trelleborg Automotive, Trelleborg Sealing Solutions and Trelleborg Wheel Systems.

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

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

Secondary segments:

Geographical markets provide products within an economic environment that is exposed to risks and opportunities that vary between markets. For secondary segment reporting, operations have been subdivided into the Group's key geographical markets, which are Europe, North and South America, Asia and other markets.

Net sales are recorded according to customer location, while assets and capital expenditures are recorded according to where these assets are physically located.

Other accounting and valuation policies

Non-current assets and non-current liabilities comprise amounts expected to be recovered or paid after more than 12 months from the balance-sheet date. Current assets and current liabilities comprise amounts expected to be recovered or paid within 12 months of the balance-sheet date. Assets and liabilities are measured at cost, unless otherwise indicated.

Revenue recognition

Revenue comprises the fair value of what has been received or will be received for goods and services sold in the Group's ongoing operations, less VAT and discounts, and after the elimination of intra-Group sales. Revenue is recognized as follows:

Sales of goods:

Revenue from sale of goods is recognized during the period in which the product is delivered and when all significant risks and rewards related to ownership have been transferred to the buyer. Accordingly, the company no longer has any involvement that is ownership-related nor exercises any real control. Net sales are recognized after deduction of VAT and adjusted for any discounts and exchange-rate differences where sales are conducted in foreign currencies.

Contract and service assignments:

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

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.

Dividends:

Dividends are recorded when payment has been received.

Other operating revenue and expenses

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

Borrowing costs

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

Transactions and balance-sheet items in foreign currency

Transactions in foreign currency are translated into the functional currency in accordance with the exchange rate prevailing on the transaction date. Exchange-rate gains and losses resulting from settlement of such transactions and from the translation of monetary assets and liabilities in foreign currency at the balance-sheet date exchange rate are recorded in the income statement. An exception is made where hedging transactions meet the requirements for cash-flow hedge or net-investments hedge where gains and losses are recorded directly against equity after adjustment for deferred taxes. Reversal to the income statement is conducted at the same time the hedged transaction affects the income statement.

Impairment losses of non-financial assets

Assets with an indefinite useful life, for example land, are not amortized but tested annually for impairment. Assets that are subject to amortization/depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the highest of fair value less selling costs and value in use. Value in use pertains to the total present value of the estimated future cash flows and the calculated residual value at the end of the useful life. In calculating value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk related to the specific asset. 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 primary segments. Impairment losses are reversed if there is a change in the recoverable amount, with the exception of impairment losses on goodwill.

Intangible assets

Goodwill

Goodwill comprises the amount by which the cost exceeds the fair value of the Group's share of identifiable net assets in the acquired company at the time of acquisition. Goodwill on acquisition of subsidiaries is recorded as a separate intangible asset. Goodwill on acquisition of associated companies is included in the value of the investment in the associated company and is tested with regard to possible impairment losses as a portion of the value of the total investment. Goodwill that is recorded separately is tested annually to identify possible impairment losses and is measured at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of a unit include the remaining carrying amount of the goodwill attributable to the disposed unit. In the impairment tests, goodwill is allocated to cash-generating units. The allocation is made between the cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition of operations that gave rise to the goodwill item. These cash-generating units comprise the Group's investments in each primary segment.

Research and development

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

- it is technically feasible to complete the intangible asset such that it can be utilized or sold,
- management intends to complete the intangible asset and utilize or sell it,
- there are prerequisites in place to utilize or sell the intangible asset,
- it can be demonstrated that the intangible asset will generate probable, future economic benefits,
- adequate technical, economic and other resources to complete the development and to utilize or sell the intangible asset are available, and
- the expenditure associated with the intangible asset during its development can be calculated in a reliable manner.

Other development expenditure is expensed as incurred. Development expenditure previously expensed is not capitalized in subsequent periods.

Capitalized development expenditure is recorded as intangible assets. Capitalized development expenditure has a finite useful life and is amortized straight line from the point at which commercial production of the product commences. Amortization is based on the anticipated useful life, normally a period of five years.

Other intangible assets

Other intangible assets include externally acquired assets, such as capitalized IT expenditure, patents, brands and licenses. Assets with a finite useful life are measured at cost less accumulated amortization and impairment losses. Subsequent expenditure for an intangible asset is added to the carrying amount or recorded as a separate asset, depending on which is suitable, only when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be reliably measured. Other expenditure is expensed as incurred. Other intangible assets are amortized over their useful life, normally five to ten years.

Property, Plant and Equipment (PPE)

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

Depreciation is carried out down to the estimated residual value. The residual value and useful life of the assets are assessed on each balance-sheet date, and if necessary, 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 recorded as a separate asset, depending on which is suitable, only when it is probable that future economic benefits associated with the asset will flow to the Group and cost of the asset can be measured in a reliable manner. The carrying amount of the replaced portion is derecognized from the balance sheet. All other forms of repairs and maintenance are expensed as they are incurred.

Gains and losses on disposal are determined by comparing the sales proceeds and the carrying amount and are recorded in the income statement as other operating income and other operating costs, respectively.

Leasing

Lease contracts for PPE are classified as either finance leases or operating leases. Finance leases apply when the financial risks and rewards related to ownership are for all practical purposes transferred to the Group. At the inception of the lease period, financial leasing is recorded at the leased asset's fair value or at the present value of the lease payments, whichever is lower. The leased asset is recorded as PPE.

Each lease payment is split into amortization of the liability and financial costs to achieve a fixed interest rate for the recorded liability. The equivalent payment undertaking, less financial costs, is included as an interest-bearing liability. The interest portion of the financial costs is recorded in the income statement over the lease term, so that each reporting period is charged with an amount equivalent to a fixed interest rate for the liability recorded for each period.

PPE held under finance lease agreements are depreciated in accordance with the same principles applicable to other assets of the same type according to plan. Lease agreements not classified as finance leases represent operating leases. Lease payments for operating leases are expensed as operating costs straight-line over the term of the lease.

Financial instruments

Financial instruments recorded in the balance sheet include the following assets and liabilities: cash and cash equivalents, securities, other financial receivables, accounts receivable, accounts payable, loans and financial derivatives.

A financial asset or liability is initially recorded in the balance sheet when the company becomes a party to the contractual conditions of the instrument.

A financial asset is derecognized in the balance sheet when all benefits and risks associated with ownership have been transferred. A financial liability is derecognized in the balance sheet when the obligations of the contract have been met or otherwise concluded.

Financial instruments are initially measured at fair value and subsequently at fair value or amortized cost, depending on their classification. All financial derivatives are measured at fair value. The purchase and sale of financial assets is recognized on the transaction date, which is the date the Group undertakes to purchase or sell the asset. On each balance-sheet date, the Group assesses if any financial asset or group of financial assets has been impaired.

Classification of financial instruments

The Group classifies its financial instruments into the following categories: financial assets or liabilities valued at fair value through profit or loss, loans and accounts receivable.

The classification depends on the purpose for which the instrument was acquired. The classification is determined on the initial recording of the instrument and reassessed on each subsequent reporting occasion.

Calculation of fair value

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

Receivables and liabilities in foreign currencies

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

Financial assets valued at fair value through profit or loss

This category comprises both financial assets held for trading as well as assets designated into this category and valued at fair value through profit or loss. The Group's assets in this category comprise non-current and current securities investments and financial derivatives not identified as hedges. Assets in this category are classified as current assets if held for trading or expected to be realized within 12 months from the balance-sheet date. Financial assets measured at fair value through profit or loss are measured at fair value, both initially and subsequent to the date of acquisition. Realized and unrealized gains and losses attributable to changes in fair value are recognized in the income statement as a financial item in the period in which they occur.

Financial liabilities at fair value through profit or loss

This category comprises derivatives with a negative fair value that are not used for hedge accounting and financial liabilities held for trading. The liabilities are measured continuously at fair value and the change in value is recorded in the income statement as a financial item. Only derivatives were recorded 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 that are not quoted in an active market.

Loan receivables and accounts receivable are initially valued at fair value and subsequently at amortized cost by applying the effective interest method less possible provisions for impairment. A bad debt provision is made when there is objective evidence that the Group will not be able to secure all amounts maturing in accordance with the original conditions of the receivable. Significant financial difficulties experienced by a debtor, the probability of the debtor entering into bankruptcy or undergoing financial reconstruction and payments not

being made or being made late (fallen due by more than 30 days) are considered to be indications that a bad debt provision may be required. The size of the provision comprises the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted by the receivable's effective interest rate. The carrying amount of the asset is reduced by using a depreciation account and the loss is recorded under the item "Selling expenses." When a receivable cannot be collected, it is eliminated against the depreciation account for receivables. The reversal of amounts that were previously eliminated is credited under the item "Selling expenses" in the income statement.

Cash and cash equivalents

Cash and cash equivalents consist of cash balances and balances with banks and other institutes that mature within three months from the time of acquisition, as well as Short-term investments with a maturity, from the time of acquisition, of less than three months, and which are exposed to a minimal risk of fluctuations in value.

Borrowings

Borrowings are initially recorded at fair value net after transaction costs and subsequently at amortized cost. Any difference between the amount received and the amount to be repaid is recorded in the income statement over the loan period by applying the effective interest method. Borrowings are classified as interest-bearing non-current or current liabilities in the balance sheet.

Accounts payable

Accounts payable are initially recorded at fair value and thereafter at accrued cost using the effective interest method.

Financial derivatives

The Group utilizes derivatives to cover the risk for exchange-rate fluctuations and to hedge its exposure to interest-rate risks. The Group also uses derivatives for commercial trade within the framework of the mandates determined by the Board. Holdings of financial derivatives include interest-rate and currency swaps, FRAs and foreign-exchange forwards, and interest-rate and currency options.

Derivatives are recognized in the balance sheet from the contract date and are measured at fair value, both initially and in subsequent reassessment. The method for recording the gains or losses arising in connection with reassessment depend on whether or not the derivatives have been identified as a hedging instrument and whether this is a hedge of fair value, cash flow or net investment.

Derivatives not identified as hedging instruments are classified in the balance sheet as financial assets and liabilities valued at fair value through profit or loss. Realized and unrealized gains and losses resulting from changes in fair value are recorded as financial items in the income statement in the period in which they occur.

Hedge accounting

The Group applies hedge accounting for financial instruments intended to hedge the following financial risks: future commercial cash flows – internal and external – in foreign currency, cash flows in future interest payments on the Group's borrowing and net investments in foreign operations.

When entering into the transaction, the relationship between the hedging instrument and the hedged item or transaction is documented, as is the objective of risk management and the strategy according to which various hedging measures are implemented. Both at the inception of the hedging transaction and on an ongoing basis, the Group also documents its assessment as to whether or not the derivatives used for the hedging transaction are efficient in offsetting changes in the fair value of the hedged items or in the cash flows pertaining to them.

Hedges are designated so that they can be expected to be effective. Changes in the fair value of such derivatives that do not meet the requirements for hedge accounting are recorded directly in the income statement.

Hedging of future commercial cash flows in foreign currency

To hedge future forecast and contracted commercial cash flows, both within the Group and externally, the Group secures foreign-exchange forward contracts and currency option contracts. The effective portion

of changes in the fair value of hedging instruments is recognized in equity. The gain or loss attributable to any ineffective portion is recorded directly in operating profit in the income statement. Accumulated amounts in equity are transferred back to the income statement in the periods in which the hedged item affects profit, such as when a forecast external sale takes place.

When a hedging instrument expires or is sold, or when the hedge no longer meets the requirements for hedge accounting, accumulated gains or losses remain in equity and are recorded as income at the same time as the forecast transaction is finally recorded in the income statement. If a forecast transaction is no longer expected to take place, the accumulated gain or loss recorded in equity is immediately transferred to the income statement.

Hedging of cash flows in future interest payments on Group borrowing
The Group secures interest-rate derivatives to ensure required interest levels on the Group's net borrowings. Amounts to be paid or received in relation to interest-rate derivatives are recorded on an ongoing basis as interest income or interest expenses.

Changes in the fair value of hedging instruments are recognized in equity until the maturity date. Any ineffective portion is recognized directly in the income statement. If the loan (and consequently, future interest payments) ceases to exist, the accumulated gain or loss recorded in equity is transferred immediately to the income statement.

Hedging of net investments in foreign subsidiaries

The Group has borrowings, foreign-exchange forwards and currency options in foreign currencies to hedge investments in foreign subsidiaries. These borrowings and contracts are measured at the closing rate. In the consolidated balance sheet, the borrowings are measured at the closing rate and exchange differences are recorded directly against equity after adjustment for the tax portion.

The Group has borrowings in foreign currency to certain subsidiaries where the loans represent a permanent element of the Parent Company's financing of the subsidiary. These loans are hedged for foreign-exchange risks in the same way as investments in foreign subsidiaries. Loans and hedges are recorded at the closing rate, with exchange-rate differences on these loans and hedges being recognized directly in equity. Any ineffective portion of the exchange-rate difference is recognized directly in the income statement as a financial item.

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

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

Inventories

Inventories are measured at the lower of cost and net realizable value on the balance-sheet date. Cost is calculated according to the first-in/first-out (FIFO) principle. For finished products 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 recorded directly in equity.

The redemption of convertibles and the exercise of share warrants entail new shares being issued while the exercise of call options may entail the utilization of treasury shares.

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

Provisions

Provisions are recorded when the Group has a legal or constructive obligation resulting from past events and it is probable that payment

will be demanded to meet the obligation and that the amount can be calculated reliably. The provision for restructuring mainly covers costs relating to severance pay and other costs affecting cash flow that arise in conjunction with restructuring the Group's operations. Provisions are made when a detailed, formal plan for measures has been established and valid expectations have been raised by those who will be affected by the measures. No provisions are made for future operating losses.

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

Shareholders' contributions and Group contributions

Shareholders' contributions to subsidiaries are added to the value of shares and participations in the balance sheet, after which, impairment testing is conducted.

Group contributions are provided to minimize the Group's tax expenses. Group contributions are recorded directly against equity, after adjustment for current tax.

Government grants

Government grants are recorded at fair value when it is probable that the terms associated with the grants will be met and that the grants will be received. Government grants relating to the acquisition of assets reduces their cost. Government grants providing compensation for expenses are recorded systematically over the same period as the expenses to be compensated.

Employee benefits

Pension obligations

Within the Group, there are a number of defined-contribution pension plans and defined-benefit pension plans, a small number of which have plan assets in foundations or similar.

A defined-contribution pension plan is a plan where 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 recorded in the balance sheet in respect of defined-benefit pension plans is the present value of the defined-benefit obligation on the balance-sheet date less the fair value of plan assets and adjusted for unrecognized actuarial gains and losses for past service.

For defined-benefit plans, the liability is calculated using the Projected Unit Credit Method, which allocates the cost over the employee's working life. The calculations are undertaken by actuaries, who also annually reassess the value of the pension obligations.

These assumptions are based on the present value of future pension payments and are calculated using a discount rate corresponding to the interest on first-class corporate bonds or government bonds with a remaining maturity that more or less matches that of the pension obligations. For funded pension plans, the fair value of plan assets reduces the calculated pension obligation. Funded plans with net assets, i.e. where the assets exceed the obligations, are recognized as plan assets. If 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 exceeding amount is recognized over the expected average remaining working life of employees participating in the plan. Some of the ITP plans in Sweden are financed through insurance premiums paid to Alecta. This is a defined-benefit plan and encompasses several employers. Since Trelleborg did not have access to information to enable it to record this plan as a defined-benefit plan, it was consequently recorded as a defined-contribution plan.

The Group's pension payments for defined-contribution plans are expensed in all functions in the income statement in the period when

the employees carried out the service to which the contribution refers. Prepaid contributions are recorded as an asset to the extent that cash repayments or reductions of future payments can benefit the Group.

Other post-employment benefits

Certain Group companies, primarily in the US, provide post-retirement medical care benefits for their employees. Entitlement to these benefits normally requires that the employee remains in service until retirement and works for the company for a specific number of years. The anticipated cost of these benefits is recognized over the period of service through the application of an accounting method similar to that used for defined-benefit pension plans. Actuarial gains and losses are recognized over the expected average remaining working life of the employees concerned. These obligations are assessed by qualified actuaries.

Bonuses

Provisions for bonuses are expensed on an ongoing basis in accordance with the financial implications of the agreement.

Remuneration on termination

Remuneration is normally payable if employment is terminated prior to normal retirement age or when an employee accepts voluntary termination in exchange for remuneration. The Group records severance pay when a detailed formal plan has been presented.

Related-party transactions

The Group's transactions with related parties pertain to purchases and sales to associated companies. All transactions are priced in accordance with market terms and prices.

Critical accounting estimates and judgments

Company management and the Board of Directors make estimates and assumptions about the future. These estimates and assumptions affect recorded assets and liabilities, as well as revenue and expenses and other disclosures, including contingent liabilities. These estimates are based on historical experience and on various assumptions considered reasonable under prevailing conditions. The conclusions reached in this manner form the basis for decisions concerning the carrying amounts of assets and liabilities where these cannot be determined by means of other information. The actual outcome may diverge from these estimates if other assumptions are made or other conditions arise. Areas involving such estimates and assumptions that may have a significant effect on the Group's earnings and financial position include:

- Impairment testing of goodwill and other assets: The impairment requirement for goodwill implies that goodwill is tested annually in conjunction with the year-end or as soon as changes indicate that a risk for impairment exists, such as when the business climate changes or a decision is made on the divestment or closure of an operation. Impairment losses are recognized if the estimated value in use exceeds the carrying amount. See also Note 15. Goodwill represents approximately 93 percent of the Group's equity.
- Other PPE and intangible assets are recorded at cost, less accumulated depreciation and any impairments. The Group has no intangible assets other than goodwill with an indefinite useful life. Amortization and depreciation occurs over the estimated useful life, down to the assessed residual value. The value is tested as soon as changed conditions show that a need for impairment has occurred. Value in use is measured as anticipated future discounted cash flow, primarily from the cash-generating unit to which the asset belongs, but in specific cases, also in relation to individual assets. Testing of the carrying amount of an asset also becomes necessary when a decision on termination is made. The asset is measured at the lower of the carrying amount and the fair value after deduction of selling costs. Not including goodwill, PPE and intangible assets amount to approximately 70 percent of the Group's equity.
- Calculation of deferred tax assets and liabilities: Assessments are made to determine current and deferred tax assets and liabilities,

particularly with regard to deferred tax assets. In this manner, it is assessed how probable it is that the deferred tax receivables will be used for settlement against future taxable gains. The fair value of these future taxable gains may deviate owing to the future business climate and earnings potential or changes to tax regulations. For further information, see Note 19.

- Calculations of remuneration to employees: The value of pension obligations for benefit-based pension plans is derived from actuarial calculations based on assumptions concerning discount rates, expected yield from plan assets, future salary increases, inflation and the demographic conditions. At year-end, the Group's benefit-based obligations amounted to SEK 765 M. As regards accounting policies, actuarial gains and losses in defined-benefit pension plans are only entered into the income statement in the amount they either exceed or fall below 10 percent of the highest of the present value of the defined-benefit pension obligation, valued at fair value, or the fair value of the plan assets. Net unrecognized actuarial gains or losses amounted to a gain of SEK 31 M at year-end.
- Calculations regarding legal disputes and contingent liabilities: The Group is involved in a number of disputes and legal proceedings within the framework for its operating activities. The management engages both external and internal expertise in these matters. According to assessments made, the Group is not involved in any legal disputes that can entail any major negative effect on the operation or the financial position, with the exception of the investigations relating to competition matters at the subsidiaries in the US and France, see page 49. For further information concerning Risks and risk management, see pages 40-43.
- Calculations of provisions for restructuring measures, other provisions and accrued expenses: The size of provisions for restructuring is based on assumptions and estimations regarding the point in time and cost for future activities, such as the size of severance payments or other obligations in connection with termination of employment. Calculations for this type of cost are based on the relevant situation in the negotiations with the parties concerned.

Cash-flow statements

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

Parent Company's accounting policies

The financial statements of the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and Swedish Financial Accounting Standards Council's Recommendation RR 32, Accounting for legal entities, which entails that, in its financial reporting, the Parent Company applies International Financial Reporting Standards (IFRS) that have been endorsed by the EU where this is possible within the framework of the Swedish Annual Accounts Act and with consideration of the link between accounting and taxation. This entails the following differences between accounting in the Parent Company and the Group.

- The Parent Company records its pension obligations in accordance with the Swedish law on safeguarding of pension commitments. Adjustments in accordance with IFRS are made at the Group level.
- In the case of non-current lending to subsidiaries, which forms part of the Company's net investment in the subsidiary, the change in value is recognized in a fair-value reserve in equity. Consequently, changes in the value of hedging instruments are also recognized in a fair-value reserve. Accumulated changes in value on loans and hedging instruments are reversed in connection with the disposal or reduction of each investment, with accumulated changes in value on both loans and hedging transactions pertaining to the same loans being transferred to the income statement. At the Group level, an adjustment is made to eliminate this effect on earnings in the Parent Company, whereby no changes occur in the consolidated income statement and balance sheet.

Note 2

Segment reporting

Primary segments

A description of the Group's primary segments is presented on Pages 24-39.

Net sales and operating profit by business segment

SEK M	2007						2006					
	Net sales			Operating profit	Of which, restructuring costs/impairment loss	Of which, profit in associated companies	Net sales			Operating profit	Of which, restructuring costs/impairment loss	Of which, profit in associated companies
External	Internal	Total	External				Internal	Total				
Trelleborg Engineered Systems	11,465	280	11,745	1,079	-89	8	9,043	267	9,310	769	-36	7
Trelleborg Automotive	10,288	11	10,299	-179	-382	4	9,324	3	9,327	-61	-280	15
Trelleborg Sealing Solutions	5,814	30	5,844	839			5,367	22	5,389	726		
Trelleborg Wheel Systems	3,243	5	3,248	261	-27		3,141	4	3,145	222	-21	
Other operations				-284	-60					-173		
Discontinued operations	161		161	-9			409		409	24		
Elimination of inter-company sales		-326	-326					-296	-296			
Trelleborg Group	30,971	0	30,971	1,707	-558	12	27,284	0	27,284	1,507	-337	22
Financial income				26						19		
Financial costs				-465						-333		
Tax				-430						-427		
Net profit for the year				838						766		

Assets and liabilities by business segment

SEK M	2007								2006							
	Operating assets	Operating liabilities	Capital employed	Of which, investment in associated companies	Capital expenditures	Depreciation/amortization	Impairment losses	Operating cash flow*	Operating assets	Operating liabilities	Capital employed	Of which, investment in associated companies	Capital expenditures	Depreciation/amortization	Impairment losses	Operating cash flow
Trelleborg Engineered Systems	8,943	2,742	6,201	26	432	289	10	1,071	8,375	2,455	5,920	25	271	236	5	815
Trelleborg Automotive	7,718	2,503	5,215	48	441	422	76	100	7,317	2,349	4,968	72	490	396	234	132
Trelleborg Sealing Solutions	7,932	957	6,975	-2	239	180		751	7,235	861	6,374	-1	198	171		794
Trelleborg Wheel Systems	2,490	811	1,679	3	171	85	1	146	2,213	795	1,418	2	139	91	4	153
Other operations	214	175	39		50	9		-350	345	197	148		9	13		-300
Discontinued operations		2	-2		3	7			112	27	85		5	10		-5
Provisions for restructuring measures	15	269	-254						11	106	-95					
Elimination of inter-company operating liabilities/receivables	-3	-3							-28	-28						
Trelleborg Group	27,309	7,456	19,853	75	1,336	992	87	1,718	25,580	6,762	18,818	98	1,112	917	238	1,594

* Operating cash flow relates to continuing operations, excluding provisions for restructuring measures.

Segment reporting

Secondary segments

External net sales by geographical market

SEK M	2007	2006
Europe	20,958	18,968
North and South America	7,163	6,115
Asia and other markets	2,850	2,201
Trelleborg Group	30,971	27,284

Assets by geographical market

SEK M	Operating assets		Capital expenditures	
	2007	2006	2007	2006
Europe	20,554	19,488	921	782
North and South America	5,025	4,718	255	169
Asia and other markets	2,085	1,681	160	161
Elimination	-355	-307		
Trelleborg Group	27,309	25,580	1,336	1,112

Net sales

Continuing operations

By geographical market

SEK M	2007	2006
Sweden	2,079	1,899
France	3,444	3,440
Italy	1,577	1,483
Spain	1,200	1,090
UK	2,588	2,434
Germany	4,305	3,793
Other European countries	5,656	4,717
Total European countries	20,849	18,856
North and South America	7,126	5,834
Asia and other markets	2,835	2,185
Total	30,810	26,875
Of which sales of goods services	30,726	26,762
	84	113

In the translation of foreign subsidiaries, changes in exchange rates compared with 2006 affected sales and operating profit negatively by 2 percent and 3 percent, respectively.

Trends in key currencies were as follows:

	2007		2006	
	Average rate	Closing day rate	Average rate	Closing day rate
EUR	9,2494	9,4828	9,2548	9,0593
USD	6,7612	6,4688	7,3763	6,8738
GBP	13,5288	12,9113	13,5747	13,4938

Since January 1, 2007, the earnings for each separate month are recalculated at the average exchange rate for the month. The separate monthly values are subsequently added together to accumulated values. In prior years, accumulated earnings were recalculated at the average exchange rate for the year.

Note 3

Employees and employee benefits

Average number of employees

	2007			2006		
	Total Women	Total Men	Total	Total Women	Total Men	Total
Sweden	747	1,575	2,322	712	1,526	2,238
France	716	2,363	3,079	626	2,155	2,781
Italy	267	1,256	1,523	239	1,058	1,297
Spain	310	1,209	1,519	271	1,079	1,350
UK	463	1,665	2,128	475	1,835	2,310
Germany	329	1,013	1,342	292	1,018	1,310
Poland	577	727	1,304	437	740	1,177
Rest of Europe	1,014	2,410	3,424	733	2,186	2,919
Total Europe	4,423	12,218	16,641	3,785	11,597	15,382
US	1,070	2,536	3,606	861	2,000	2,861
Brazil	85	857	942	83	794	877
Other markets	389	362	751	404	442	846
Total North and South America	1,544	3,755	5,299	1,348	3,236	4,584
China	233	857	1,090	136	428	564
Sri Lanka	31	675	706	32	791	823
Other markets	200	1,222	1,422	184	969	1,153
Total Asia and other markets	464	2,754	3,218	352	2,188	2,540
Total	6,431	18,727	25,158	5,485	17,021	22,506

The proportion of women in executive management positions is 7 percent (14) and 18 percent (18) on the Board of Directors.

Employee benefits

SEK M	2007	2006
	Salaries and other remuneration	Salaries and other remuneration
Sweden	839	763
France	832	822
Italy	505	393
Spain	379	334
UK	798	807
Germany	610	574
Poland	109	80
Rest of Europe	884	754
Total Europe	4,956	4,527
US	1,194	1,017
Brazil	113	95
Other North and South American countries	95	122
Total North and South America	1,402	1,234
China	52	25
Sri Lanka	19	19
Other markets	233	209
Total Asia and other markets	304	253
Total	6,662	6,014
Of which		
to board members, presidents and executive vice presidents, including variable salaries	198	112
to other senior executives	29	16

SEK M	2007	2006
Social security expenses	1,494	1,355
Pension costs – defined-contribution plans	168	158
Pension costs – defined-benefit plans	53	77

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

During 2007, the President, who is also Chief Executive Officer, received a fixed salary, variable salary and other compensation as shown in the table below. The variable salary has an established upper limit, maximum SEK 3.3 M for full-year 2007, which corresponds to 60 percent of fixed salary. The total variable salary is based 100-percent on the Trelleborg Group's profit before tax, excluding the effect of structural changes approved by the Board. The variable salary does not constitute pensionable income.

The President has a pension agreement that entitles him to retire at the age of 65. However, under the terms of the pension agreement, both the company and the President have the right, without special justification, to request early retirement from the age of 60, with a mutual six-month notice of termination. The employment agreement and pension agreement shall be rendered invalid from the effective date of the President's possible early retirement. The pension agreement is solely premium-based, and the premium is computed as 40 percent of the fixed annual salary. Pension premiums were expensed in 2007 as shown in the table below.

The President's employment contract stipulates that termination of employment by the company shall be subject to a period of notice of 24 months. This clause does not apply if termination is initiated by the President. The period of notice from the President is six months.

The principles for compensating other senior executives are based on both a fixed and variable salary. The variable part has an established upper limit and accounts for about 25-60 percent of fixed annual salary, based mainly on the earnings trend for the Group.

Some of the executives have agreements specifying mutual rights to request early retirement from the age of 60. In this case, compensation normally amounting to 60 percent of fixed annual salary is paid until

the age of 65, when the regular retirement pension payments become effective. As of January 1, 2007, benefit-defined plans were replaced by defined-contribution plans, whereby the pension premium is calculated at 30 percent of fixed annual salary.

For other senior executives, extended notice of termination periods apply when initiated by the company – normally 12, 18 or 24 months – which do not apply when initiated by the individual.

For the President and other senior executives, there is an opportunity to have a company car as a benefit.

Long-term incentive program

The Board of Directors resolved in 2005 to introduce a long-term incentive program for the President and other senior executives that hold a significant influence on the Trelleborg Group's earnings per share. The Board of Directors also resolved to introduce a similar program in 2006 and 2007. Both programs are ongoing three-year programs for which the Board will, on a yearly basis, possibly approve new programs and define their scope, objective and number of participants. The programs are cash-based and constitute a supplement to the annual variable salaries, provided the executive is employed by the Trelleborg Group as per December 31 in the year to which the program applies.

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

For 2005, the Board established a goal of SEK 12.40 in earnings per share. Payments to senior executives for the 2005 program have an upper cap, corresponding to 16.7 percent of the maximum annual variable salary per year.

For 2006, the Board established a target of SEK 14.10 in earnings per share and in 2007, a target of SEK 11.90 with the upper cap for payments to senior executives in both programs set at 25 percent of the maximum annual variable salary per year.

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 2005, accordingly, payment will be made in the first quarter of 2008, and for the program approved in 2006, payments will be made in the first quarter of 2009, and for the program approved in 2007, payments will be made in the first quarter of 2010. The payments do not constitute pensionable income. In 2007, earnings were charged with SEK 9,964,000 (-).

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

2007 sek 000s	Board fee/ Base salary	Variable salary	Bonus due for 2006 program	Incentive benefits	Other benefits	Pension costs	Total
Anders Narvinger, Chairman of the Board	952						952
Heléne Bergquist, Board member	412						412
Staffan Bohman, Board member	327						327
Rolf Kjellman, Board member	452						452
Claes Lindqvist, Board member	327						327
Berthold Lindqvist, Board member	327						327
President	5,937	3,300	1,275	825	100	2,185	13,622
Executive Vice Presidents	3,101	1,324		312	115	1,850	6,702
Other senior executives, 11 persons	25,599	8,533		2,286	623	9,540	46,581
Total	37,434	13,157	1,275	3,423	838	13,575	69,702

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

The above principles for remuneration to senior executives in the Trelleborg Group were adopted at the Annual General Meeting in 2007. The Board's proposal for principles for remuneration to senior executives in the Trelleborg Group for 2008 correspond with the principles for remuneration adopted at the 2007 Annual General Meeting, with the exception of a principle stating that the maximum variable salary for the President may amount to 65 percent of the fixed annual salary and the proposed decision regarding a new, long-term incentive program for the 2008-2010 period that encompasses approximately 40 senior executives, with the target for 2008 in earnings per share of SEK 14.40.

Note 4

Auditors' remuneration

SEK M	2007	2006
<i>PricewaterhouseCoopers</i>		
Audit assignment	34	30
Other assignments	11	14
<i>Other auditors</i>		
Audit assignment	1	0
Other assignments	1	0
Total	47	44

Note 5

Items affecting comparability

Distributed per business area

SEK M	2007	2006
Trelleborg Engineered Systems	-89	-36
Trelleborg Automotive	-382	-280
Trelleborg Wheel Systems	-27	-21
Property sale	26	-
Nonrecurring legal expenses	-86	-
Total	-558	-337

Distributed per function

SEK M	2007	2006
Cost of goods sold	-70	-43
Selling expenses	-117	-5
Administrative expenses	-	-9
Other operating income	26	-
Other operating costs	-394	-280
Share of profit or loss in associated companies	-3	-
Total	-558	-337

Of which, restructuring costs/impairment losses

SEK M	2007 Impairment losses	2006 Impairment losses	2007 Restructuring costs	2006 Restructuring costs
Trelleborg Engineered Systems	-3	-5	-86	-31
Trelleborg Automotive	-67	-229	-315	-51
Trelleborg Wheel Systems	-	-4	-27	-17
Total	-70	-238	-428	-99

Impairment of non-current assets was conducted to the calculated value in use.

Note 6

Other operating income and expenses

SEK M	2007	2006
Continuing operations		
Rental revenue	10	23
Exchange-rate differences	59	33
Customer-/Supplier-related revenues	63	64
Sale of non-current assets	47	19
Sale of tools, etc.	123	113
Sale of services	19	27
Other	83	116
Total other operating income	404	395
Royalties	-15	-15
Operating costs for rental operations	-23	-42
Exchange-rate differences	-70	-55
Customer-/Supplier-related expenses	-31	-6
Restructuring costs	-394	-280
Other	-30	-42
Total other operating expenses	-563	-440
Total continuing operations	-159	-45
Discontinued operations		
Reversal of guarantee provision related to Br Edstrand	-	80
Other operating income	2	2
Other operating expenses	-4	-65
Total Group	-161	-28

Note 7

Share of profit or loss in associated companies

SEK M	Profit before tax		Tax		Net profit		Dividend received	
	2007	2006	2007	2006	2007	2006	2007	2006
Dawson Manu.Co	5	23	-2	-8	3	15	23	33
Other associated companies	12	10	-3	-3	9	7	6	1
Total	17	33	-5	-11	12	22	29	34

SEK M	Receivables from associated companies		Liabilities to associated companies		Sales to associated companies		Operating income from associated companies	
	2007	2006	2007	2006	2007	2006	2007	2006
Dawson Manu.Co	8	4	0	0	49	0	23	28
Other associated companies	2	6	0	2	111	83	8	17
Total	10	10	0	2	160	83	31	45

Company	Registered office	Share of equity, %	Assets		Liabilities	
			2007	2006	2007	2006
<i>Indirectly owned</i>						
Dawson Manu.Co	US	45	163	250	53	89
Other			151	171	92	118
Total			314	421	145	207

Company	Shareholders' equity		Net sales		Profit for the year		Book value	
	2007	2006	2007	2006	2007	2006	2007	2006
<i>Indirectly owned</i>								
Dawson Manu.Co	110	161	335	536	5	31	48	72
Other	59	53	602	527	22	17	27	26
Total	169	214	937	1,063	27	48	75	98

Shares and participations in associated companies

SEK M	2007	2006
Cost, January 1	98	121
Acquisitions	-	6
Divestments	-3	-4
Dividend	-29	-34
Share of profit in associated companies	12	22
Translation differences	-3	-13
Book value, December 31	75	98

Note 8

Expenses by nature

SEK M	2007	2006
Costs for raw materials, components, goods for resale, packaging material and energy and transport costs	-17,202	-14,985
Remuneration to employees	-8,428	-7,542
Depreciation/amortization and impairment losses	-1,079	-1,155
Other external costs related to sales, administration and research and development	-2,319	-1,998
Other operating income/expenses	-78	266
Share of profit in associated companies	12	22
Total	-29,094	-25,392

Note 9

Exchange-rate differences that impact operating profit

SEK M	2007	2006
Net sales	9	11
Cost of goods sold	-10	-1
Sales, administration and R&D costs	1	-1
Other operating income/operating expenses	-11	-5
Total	-11	4

Note 10

Government grants

SEK M	2007	2006
Grants received	7	4
Total	7	4

Note 11

Financial income and expenses

Continuing operations

Financial income		
SEK M	2007	2006
Interest income from interest-bearing receivables	11	15
Exchange-rate gains, net	15	4
Total financial income	26	19

Financial expenses

Interest expenses on interest-bearing liabilities	-465	-332
Total financial expenses	-465	-332

Total financial income and expenses	-439	-313
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Discontinued operations

Financial income and expenses	0	-1
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Total financial income and expenses	-439	-314
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Note 12

Tax on profit for the year

SEK M	2007	2006
Continuing operations		
Current tax expenses		
Tax expenses for the period	-377	-297
Adjustment of tax attributable to prior years	16	17
Total	-361	-280
Deferred tax expenses		
Utilization/revaluation of loss carryforwards	65	23
Deferred tax expenses/income on changes in temporary differences	-80	-97
Total	-15	-74
Other taxes	-54	-48
Total reported tax expenses for continuing operations	-430	-402
Discontinued operations		
Current tax expenses		
Tax expenses for the period	0	-16
Deferred tax expenses		
Deferred tax expenses/income on changes in temporary differences	0	-9
Total reported tax expenses for the Group	-430	-427
Tax items recorded directly against equity		
Deferred tax on hedging instruments	39	-73
Reconciliation of effective tax, %		
Swedish income tax	28%	28%
Impact of other tax rates for foreign subsidiaries	6%	3%
Non-deductible expenses/non-taxable revenue	1%	1%
Amortization of goodwill	-2%	3%
Discontinued operations	0%	1%
Revaluation of loss carryforwards/temporary differences	-2%	-2%
Tax attributable to prior years	-1%	-2%
Tax rate	30%	32%
Other taxes	4%	4%
Reported effective tax rate for Group	34%	36%

At year-end 2007, the Group had loss carryforwards of approximately SEK 4,100 M (4,300), of which about SEK 1,300 M (1,100) was taken into account when calculating deferred tax. The loss carryforwards not capitalized include cases where uncertainty exists regarding the tax value. Of the loss carryforwards, about SEK 1,834 M falls due within the next five-year period.

Note 13

Minority interest in profit and equity of subsidiaries

SEK M	Minority share in net profit for the year		Minority interest	
	2007	2006	2007	2006
Trelleborg Kunhwa Co. Ltd	15	12	79	73
Other companies	2	3	41	34
Total	17	15	120	107

Note 14

Property, plant and equipment (PPE)

SEK M	2007	2006
Buildings	1,690	1,697
Land and land improvements	489	568
Plant and machinery	3,124	2,950
Equipment, tools, fixtures and fittings	442	358
New construction in progress and advance payments relating to PPE	548	435
Total	6,293	6,008

Depreciation of property, plant and equipment by function

SEK M	2007	2006
Cost of goods sold	-748	-658
Selling expenses	-15	-32
Administrative expenses	-39	-46
R&D costs	-27	-31
Other operating expenses	-14	-36
Total	-843	-803

Impairment loss of property, plant and equipment by function

SEK M	2007	2006
Cost of goods sold	-3	-9
Other operating expenses	-15	-72
Total	-18	-81

Leasing agreements

The Group has entered into financial and operating lease agreements. Non-current assets held under financial lease agreements are recorded as property, plant and equipment and future payment obligations are recorded as a financial liability.

Leasing costs for assets held via financial lease agreements amounted to SEK 1 M (1). Future lease payments for financial lease agreements fall due as follows:

SEK M	2007	2006
Year 1	3	4
Year 2-5	10	10
Later than 5 years	0	2

Leasing costs for assets held via operating lease agreements are classified as operating expenses, and amounted to SEK 148 M (138). Future payment commitments for non-cancelable lease agreements amounted to SEK 742 M (710) and fall due as follows:

SEK M	2007	2006
Year 1	125	129
Year 2-5	278	254
Later than 5 years	339	327

SEK M	Buildings		Land and land improvements		Plant and machinery		Equipment, tools, fixtures and fittings		New construction in progress and advance payments		Total PPE	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Accumulated cost	3,104	3,079	516	620	9,420	8,821	1,649	1,632	547	451	15,236	14,603
Accumulated depreciation according to plan	-1,133	-1,048	-44	-75	-6,243	-5,706	-1,196	-1,267	1	-11	-8,615	-8,107
Accumulated revaluations	19	48	32	34	11	14	1	2	-	-	63	98
Accumulated impairment losses	-300	-382	-15	-11	-64	-179	-12	-9	-	-5	-391	-586
Book value	1,690	1,697	489	568	3,124	2,950	442	358	548	435	6,293	6,008
Balance, January 1	1,697	1,524	568	542	2,950	2,983	358	367	435	251	6,008	5,667
Acquisitions	17	277	5	87	29	288	7	27	8	37	66	716
Capital expenditures	96	106	9	19	485	404	138	108	487	343	1,215	980
Capital expenditures, financial leasing	-	-	-	-	0	12	2	0	0	0	2	12
Divestments and disposals	-45	-49	-92	-45	-32	-26	-6	-21	-15	-2	-190	-143
Depreciation according to plan for the year	-107	-89	-3	-4	-617	-595	-116	-115	0	-	-843	-803
Impairment losses for the year	-12	-	-	-	5	-79	-3	-1	-8	-1	-18	-81
Internal reclassifications	26	11	-9	-13	268	135	52	11	-363	-170	-26	-26
Translation difference for the year	18	-83	11	-18	36	-172	10	-18	4	-23	79	-314
Book value	1,690	1,697	489	568	3,124	2,950	442	358	548	435	6,293	6,008

The overall tax assessment value for the Group's Swedish properties amounted to SEK 500 M (466), of which buildings accounted for SEK 407 M (387).

Note 15

Intangible assets

SEK M	2007	2006
Capitalized expenditure for development work	348	347
Capitalized expenditure for IT	137	139
Concessions, patents, licenses, trademarks and similar rights	206	55
Goodwill	9,381	8,968
Market- and customer-related intangible assets	16	23
Advance payments related to intangible assets	10	3
Total	10,098	9,535

Impairment testing of goodwill

Goodwill is tested for impairment annually or more frequently if there are indications that the asset may be impaired. This testing is based on defined cash-generating units coinciding with the business areas applied in segment reporting. For a more detailed presentation of the Group's business areas, see pages 24-39.

The recoverable amount has been determined on the basis of calculations of value in use. These calculations are based on future cash flows calculated on the basis of an internal assessment of the next five years and beyond with an assumed annual growth rate of 2 percent. Projected future cash flows according to these assessments form the basis for the calculation. Changes in working capital and in capital expenditure requirements have been taken into account. When calculating the present value of future cash flows, a weighted average cost of capital (WACC) of 7.7 percent after tax was applied. Reconciliation was conducted against an external assessment of a reasonable cost of capital. The debt/equity ratio was assumed to be 100 percent.

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 half beyond the next five years and an increase in the cost of capital of 1 percentage point to 8.7 after tax, there would still be no need for impairment, except for the Trelleborg Automotive business area.

Impairment losses on intangible assets

SEK M	2007	2006
Development costs	-16	-
Other operating expenses	-53	-157
Total	-69	-157

Goodwill by segment

Planned residual value

SEK M	2007	2006
Trelleborg Engineered Systems	2,728	2,777
Trelleborg Automotive	1,405	1,441
Trelleborg Sealing Solutions	4,923	4,525
Trelleborg Wheel Systems	325	225
Total	9,381	8,968

SEK M	Internally generated intangible assets		Acquired intangible assets		Concessions, patents, licenses and brands		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											
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Accumulated cost	546	456	414	342	442	273	9,591	9,125	22	24	16	4	11,031	10,244
Accumulated amortization according to plan	-181	-109	-276	-203	-236	-218	-	-	-6	-1	-6	-1	-705	-532
Accumulated impairment losses	-17	-	-1	0	-	-	-210	-157	-	-	-	-	-228	-157
Book value	348	347	137	139	206	55	9,381	8,968	16	23	10	3	10,098	9,535
Balance, January 1	347	311	139	143	55	33	8,968	7,717	23	-	3	4	9,535	8,208
Acquisitions	0	0	0	2	2	29	480	1,967	-	25	-	-	482	2,023
Capital expenditures	81	104	32	27	1	1	-	-	-	-	7	0	121	132
Divestments and disposals	-1	-	-	-3	-1	-	-	-75	-	-	-	-	-2	-78
Amortization according to plan for the year	-77	-57	-57	-46	-9	-10	-	-	-6	-1	-	-	-149	-114
Impairment losses for the year	-16	-	0	-	-	-	-53	-157	-	-	-	-	-69	-157
Internal reclassifications	-	2	18	20	154	5	-146	0	-	-	-	-1	26	26
Translation difference for the year	14	-13	5	-4	4	-3	132	-484	-1	-1	-	0	154	-505
Book value	348	347	137	139	206	55	9,381	8,968	16	23	10	3	10,098	9,535
Amortization for the year, by function														
Cost of goods sold	0	0	-5	-5	-1	-2	-	-	-	0	-	-	-6	-7
Selling expenses	0	-1	-8	-12	-5	-6	-	-	-6	-1	-	-	-19	-20
Administrative expenses	0	-2	-43	-28	-1	-2	-	-	-	-	-	-	-44	-32
R&D costs	-77	-54	-1	0	-2	-	-	-	-	-	-	-	-80	-54
Other operating expenses	-	0	-	-1	0	-	-	-	-	-	-	-	0	-1
Total depreciation	-77	-57	-57	-46	-9	-10	-	-	-6	-1	-	-	-149	-114

Note 16

Financial non-current assets

SEK M	2007	2006
Other shares (note 18)	13	12
Plan assets	20	16
Financial assets at fair value through profit or loss	4	1
Loan receivable	-	29
Derivative instrument (Note 24)	13	23
Other non-current assets	13	13
Total	63	94

Book value corresponds to fair value.

Note 17

Parent Company and Group holdings of shares and participations in Group companies¹⁾

Company	Registration Number	Domicile/country	No. of shares	Ownership percent	Book value, SEK M
Trelleborg Sealing Solutions Belgium SA		Belgium	99	100	51
Trelleborg do Brasil Soluções em Vedação Ltda		Brazil	8,307,199	100	19
Trelleborg Sealing Solutions Bulgaria EOOD		Bulgaria	10,000	100	16
Trelleborg Sealing Solutions Czech s.r.o		Czech Republic	0	100	48
Trelleborg Sealing Solutions Hong Kong Ltd		China	484,674	100	1
Trelleborg Sealing Solutions Korea		South Korea	57,750	75	4
Trelleborg Sealing Solutions Japan KK		Japan	133	100	99
Trelleborg Sealing Solutions Polska Sp.oz.		Poland	12,800	100	6
Trelleborg Sealing Solutions Finland		Finland	15	100	75
Trelleborg Sealing Solutions Switzerland		Switzerland	1,000	100	47
Trelleborg Sealing Solutions Sweden AB	556204-8370	Jönköping	2,500	100	167
Trebolit AB	556054-1533	Trelleborg	60,000	100	75
Trelleborg Sealing Solutions Austria GmbH		Austria	0	100	28
Trelleborg Tigveni SRL		Romania	699	100	8
Trelleborg Tyres Lanka		Sri Lanka		100	
Chemtrading Alpha Holding AG		Switzerland	100	100	3
Dormvillem AB	556739-6980	Trelleborg	1000	100	
Dormvilfya AB	556728-8716	Trelleborg	1000	100	
Dormvilio AB	556742-8767	Trelleborg	1000	100	
Dormvilsex AB	556739-6998	Trelleborg	1000	100	
Dormvilju AB	556742-8742	Trelleborg	1000	100	
Dormvittio AB	556742-8775	Trelleborg	1000	100	
Dormviltre AB	556728-8716	Trelleborg	1000	100	
Dormviliätta AB	556742-8759	Trelleborg	1000	100	
Gromedi Oy		Finland	13	100	78
Mar-Con Polymes Ltd Oy		Finland	100	100	125
MHT Takentreprenören i Malmö AB	556054-9759	Malmö	1,000	100	
Trelleborg Automotive Czech Republic S.r.o		Czech Republic	100,000	100	4
Trelleborg Automotive China Holding AB	556052-1485	Trelleborg	4,500,000	100	19
Trelleborg Automotive Poland Sp.oz.		Poland	350	100	114
Trelleborg Automotive S.R.L.		Romania	100	100	55
Trelleborg Automotive Slovakia s.r.o.		Slovakien	0	100	8
Trelleborg Engineered Systems Lithuania UAB		Lithuania	2,600	100	7
Trelleborg Corporation		US	2,592	100	3,211
Reeves Brothers Inc		US	1,000	100	
Trelleborg Engineered Systems Italy SpA		Italy	25,600,000	100	
Trelleborg Sealing Solutions US, Inc		US	7,425	100	
Trelleborg CRP Inc		US	1,000	100	
Trelleborg Wheel Systems Americas Inc		US	1,000	100	
Trelleborg YSH Inc		US	100,000	100	
Trelleborg YSH SA de CV		Mexico	108,963,372	100	
Trelleborg Building Systems Inc		US	0	100	
Trelleborg Croatia D.O.O		Croatia	0	100	1
Trelleborg Engineered Systems China Holding AB	556223-5910	Trelleborg	1,000	100	10
Trelleborg Engineered Systems Group AB	556055-7711	Trelleborg	1,250	100	3
Trelleborg Engineered Systems Qingdao Holding AB	556715-4991	Trelleborg	1,000	100	
Trelleborg Fluid Solutions Czech Republic s.r.o.		Czech Republic	0	100	78
Trelleborg Holding AB	556212-8255	Trelleborg	1,000	100	741
Trelleborg Building Systems AB	556026-2148	Trelleborg	12,000	100	
Trelleborg Automotive do Brasil Indústria e Comercio de Autospecas Ltda		Brazil	48,214,016	100	
Trelleborg Izarra SA		Spain	3,826,956	100	
Trelleborg Inepsa SA		Spain	324,000	100	
Trelleborg Automotive Spain SA		Spain	600,000	100	
Trelleborg Industrial AVS AB	556020-2862	Södertälje	500	100	10
Trelleborg International AB		Trelleborg	1,500	100	3,152
Trelleborg Sealing Solutions Germany GmbH		Germany	1	100	
Trelleborg Automotive Germany GmbH		Germany	2	100	
Trelleborg Wheel Systems GmbH		Germany	2	100	
Trelleborg Wheel Systems Belgium NV		Belgium	11,075,113	100	
Trelleborg Fluid Solutions Germany GmbH		Germany	2	100	

Company	Registration Number	Domicile/country	No. of shares	Ownership percent	Book value, SEK M
Trelleborg Holding Denmark A/S		Denmark	20,000	100	631
Trelleborg Phoenix A/S		Denmark	80,000	100	
Trelleborg Holding France SA		France	153,452	100	693
Trelleborg Sealing Solutions France SAS		France	8,427	100	
Trelleborg Industrie SA		France	649,794	100	
Trelleborg Reims SAS		France	100,200	100	
Trelleborg Nantes SAS		France	100,342	100	
Trelleborg Kunhwa Co Ltd		Korea	3,570,000	51	
Trelleborg Modyn SAS		France	720,000	100	
Trelleborg Wheel Systems France SAS		France	2,500	100	
Trelleborg Holdings Italia S.r.l		Italy	0	100	591
Trelleborg Sealing Solutions Italia Spa		Italy	472,000	100	
Trelleborg Automotive Italia Spa		Italy	200,000	100	
Trelleborg Holding Norway AS		Norway	10,000	100	
Trelleborg Viking AS		Norway	27,000	100	
Trelleborg Holdings (UK) Ltd		UK	20,000,000	100	2,987
Trelleborg Sealing Solutions UK Ltd		UK	10,050,000	100	
Trelleborg Automotive (UK) Ltd		UK	100	100	
Trelleborg CRP Ltd		UK	41,590	100	
Trelleborg Hong Kong Holdings Ltd		China	10,000	100	61
Trelleborg Industri AB	556129-7267	Trelleborg	725,000	100	197
Trelleborg Industrie S.r.l		Italy	196,000	100	3
Trelleborg Insurance Ltd		Bermuda	50,000	100	118
Trelleborg International BV		Netherlands	41	100	3,150
Trelleborg Forsheda Netherlands BV		Netherlands	30,000	100	
Trelleborg Wheel Systems Spa		Italy	200,000	100	
Trelleborg Lesina s.r.o.		Czech Republic	0	100	8
Trelleborg Moulded Components Wuxi Holding AB	556715-4983	Trelleborg	1,000	100	
Trelleborg Protective Products AB	556010-7145	Trelleborg	100,000	100	26
Trelleborg Treasury AB	556064-2646	Stockholm	5,000	100	15,001
Trelleborg Wheels AB	556056-2620	Sävsjö	40,000	100	10
Trelleborg Wuxi Holding AB	556119-8820	Trelleborg	25,000	100	88
Trelleborg Rubore AB	556325-7442	Kalmar	60,000	100	200
Trelleborg China Holding AB	556030-7398	Trelleborg	200,000	100	43
TSS Holdings Sweden AB	556528-2737	Forsheda	2,501,000	100	157
Trelleborg Forsheda Sweden AB	556052-2996	Forsheda	8,640,000	100	
Velox AB	556000-4110	Trelleborg	1,000	100	6
Total, Parent Company					32,233

¹⁾ The table shows directly owned subsidiaries and indirectly owned companies with annual sales that exceed SEK 250 M. A complete list of companies is appended to the Annual Report filed with Bolagsverket (Swedish Companies Registration Office).

Note 18

Other shares

SEK M	2007	2006
Cost, January 1	12	5
Acquisitions	1	7
Cost, December 31	13	12
Book value at year-end	13	12
Of which, Swedish shares	1	1
Foreign shares	12	11

Book value corresponds to fair value.

Note 19

Deferred tax assets/tax liabilities

SEK M	Deferred tax assets	2007 Deferred tax liabilities	Net	Deferred tax assets	2006 Deferred tax liabilities	Net
Intangible assets	6	213	-207	4	205	-201
Land and buildings	94	152	-58	116	173	-58
Machinery and equipment	197	285	-88	179	269	-90
Financial non-current assets	9	19	-10	7	29	-22
Inventories	84	21	63	76	7	69
Current receivables	14	5	9	17	4	13
Pension provisions	146	12	134	118	2	116
Other provisions	114	26	88	34	0	34
Non-current liabilities	21	1	20	64	1	63
Current liabilities	93	5	88	127	8	119
Loss carryforwards	414	13	401	344	13	331
Total	1,192	752	440	1,085	711	374
Offsetting of assets/liabilities	-363	-363		-252	-252	
Total	829	389		833	459	

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

Change in deferred tax on temporary differences and loss carryforwards

SEK M	Balance, January 1		Recorded via income statement		Recorded directly against shareholders' equity		Acquired/divested tax assets/liabilities		Translation differences		Balance, December 31	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Intangible assets	-201	-106	-2	-16			4	-84	-8	5	-207	-201
Land and buildings	-58	10	-2	-18	6		-2	-48	-2	-1	-58	-58
Machinery and equipment	-90	-28	-2	-69			6	-4	-2	11	-88	-90
Financial non-current assets	-22	-5		43	11	-54		-6	1		-10	-22
Inventories	69	71	15	8			-21	-4		-6	63	69
Current receivables	13	11	-51	-94	49	95	-1	1	-1		9	13
Pension provisions	116	125	-3	-4			16		5	-6	134	116
Other provisions	34	26	52	11		-1			2	-2	88	34
Non-current liabilities	63	49	-46	11			4	10	-1	-7	20	63
Current liabilities	119	137	-42	22	6	-43	8	13	-3	-10	88	119
Loss carryforwards	331	343	65	23			4	-6	1	-29	401	331
Total	374	632	-16	-83	72	-2	18	-128	-8	-45	440	374

Note 20

Inventories

SEK M	2007	2006
Raw materials and consumables	1,379	1,193
Work in progress	496	510
Finished products and goods for resale	2,118	1,881
Contracted work in progress	0	9
Advances to suppliers	19	11
Total	4,012	3,604

Write-down of obsolete inventories amounted to SEK 261 M (254).

Note 21

Current operating receivables

SEK M	2007	2006
Accounts receivable	5,754	5,368
Provision for bad debts	-93	-90
Bills receivable	32	40
Operating receivables, associated companies	10	9
Other current receivables	484	437
Derivative instruments (Note 24)	43	10
Prepaid expenses and accrued income (Note 22)	612	544
Total	6,842	6,318

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

SEK M	2007	2006
Other current receivables	1	0
Prepaid expenses and accrued income	6	2
Total	7	2

Of which, expected to be recovered after 5 years

SEK M	2007	2006
Other current receivables	2	3
Prepaid expenses and accrued income	4	2
Total	6	5

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

Age analysis of accounts receivable

SEK M	2007	2006
Receivable not yet due	4,555	4,267
<i>Due, but not impaired:</i>		
<30 days	723	771
31-60 days	211	147
61-90 days	77	61
>90 days	188	122
Total	5,754	5,368
Provision for bad debts	-93	-90
Total	5,661	5,278

Note 22

Prepaid expenses and accrued income

SEK M	2007	2006
Interest	0	1
Pension costs	6	8
Tools	180	238
Derivative instruments (Note 24)	11	8
Other	415	289
Total	612	544

Note 23

Interest-bearing receivables

SEK M	2007	2006
Interest-bearing receivables	-	2
Loan receivable	-	8
Derivative instruments (Note 24)	95	73
Other financial assets at fair value through profit or loss	-	5
Total	95	88

The recorded amounts represent an accurate estimation of their fair value.

Note 24

Financial derivative instruments

Derivative instruments are used mainly to hedge against the Group's exposure to fluctuations in exchange rates and interest rates. The Group also uses derivative instruments for proprietary trading within the framework of mandates set by the Board. In cases where available forms of borrowing do not meet the desired structure of the loan portfolio with regard to interest-rate and foreign-exchange considerations, various derivative instruments are used. Currency swaps are used to secure the desired financing adapted to the subsidiaries' currencies. Interest-rate swaps, FRAs or other comparable instruments are used to obtain the desired fixed-interest terms.

Foreign-exchange forwards and currency options are financial derivative instruments used to hedge currency exposure both in fixed commercial undertakings and calculated future commercial flows.

Investments in foreign subsidiaries and associated companies may be hedged. Hedging occurs mainly through corresponding borrowing in the same currency, but may also be secured through forward or option contracts. The table below shows where the Group's financial derivative instruments are recorded in the balance sheet.

Specification of derivatives in the balance sheet, SEK M	2007	2006
Financial non-current assets	13	23
Current operating receivables included in working capital	11	8
Other current operating receivables	43	10
Interest-bearing receivables	95	73
Total receivables, financial derivatives	162	114
Interest-bearing non-current liabilities	17	-
Other non-current liabilities	7	-
Current operating liabilities included in working capital	17	7
Other current operating liabilities	63	26
Interest-bearing liabilities	153	54
Total liabilities, financial derivatives	257	87

For credit exposure in derivatives, See note 28.

Type and purpose of Group's financial derivative instruments	2007		2006	
	Assets Fair value	Liabilities Fair value	Assets Fair value	Liabilities Fair value
Interest-rate swaps – cash-flow hedging	13	36	24	22
Interest-rate options – cash-flow hedging	4	-	2	-
Foreign-exchange forwards/ currency options – cash-flow hedging	11	18	8	7
Foreign-exchange forwards – held for trading	28	28	6	4
Interest-rate instruments – held for trading	-	-	1	2
Foreign-exchange forwards – net investment hedging	11	128	38	1
Currency options – net investment hedging	17	17	29	-
Foreign-exchange forwards – financing of subsidiaries	78	30	6	51
Total	162	257	114	87

The nominal amount of outstanding interest-rate swaps totaled SEK 8,011 M (2,991).

Derivatives with hedge accounting

Cash flow hedging – Interest-rate swaps

In the closing balance of the hedging reserve in shareholders' equity, SEK 5 M (22) before tax related to the fair value of interest-rate swaps.

At unchanged interest and exchange rates, the bulk of this value will improve earnings in 2008.

Cash flow hedges – forward currency contracts and currency options

The fair value closing balance of cash flow hedges relating to forward currency contracts and currency options recorded in the hedging reserve amounted to a negative net of SEK 6 M (0).

At unchanged exchange rates, this value will negatively impact operating earnings in the amount of SEK 6 M (0) in 2008.

Sensitivity analysis – Financial instruments

Sensitivity analysis relating to interest-rate risks and translation exposure are described in the section "Financial risk management" on pages 42-43.

If cash-flow hedges attributable to transaction exposure are valued using exchange rates applicable on December 31, 2006, the fair value of the hedging reserve would amount to SEK 9 M (neg: 14).

If closing balances relating to accounts receivable and accounts payable, taking into consideration implemented hedging measures, are valued using exchange rates applicable on December 31, 2006, the net receivable would increase by SEK 5 M.

Having considered implemented hedging measures, the Group has no currency risk in other financial receivables and liabilities in foreign currencies.

Note 25

Cash and cash equivalents

SEK M	2007	2006
Current bank investments	-	28
Cash and bank balances	530	588
Total	530	616

For credit exposure in cash and cash equivalents, see note 28.

Note 26

Equity

Specification of other reserves

SEK M	Hedging reserve		Translation reserve		Total	
	2007	2006	2007	2006	2007	2006
Opening balance, translation differences	15	5	-129	596	-114	601
<i>Cash-flow hedging</i>						
Fair value	-2	12			-2	12
Tax on fair value	1	-3			1	-3
Transfers to income statement	-21	1			-21	1
Tax on transfers to income statement	6	0			6	0
Translation differences for the year			172	-905	172	-905
Hedging of net investment after tax			-83	180	-83	180
Closing balance	-1	15	-40	-129	-41	-114

Accumulated translation differences are recorded from Jan 1, 2004.

Of transfers from the hedging reserve to the income statement, SEK 21 M (1) improved the Group's financial interest expenses in 2007.

The Board of Directors and President propose a dividend of SEK 6.50 (6.00) per share, totaling approximately SEK 587 M (542).

Trelleborg AB's share capital at December 31, 2007 amounted to SEK 2,258,931,525, being 90,357,261 shares, with a par value of SEK 25 each.

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

Change in total number of shares	2007	2006
January 1	90,357,261	95,980,361
Cancellation of treasury shares	-	-5,623,100
December 31	90,357,261	90,357,261

Change in number of treasury shares	2007	2006
January 1	0	5,623,100
Cancellation of treasury shares	-	-5,623,100
December 31	0	0

Number of shares at year-end, excluding treasury shares	2007	2006
	90,357,261	90,357,261

Note 27

Interest-bearing liabilities

Non-current interest-bearing liabilities

SEK M	2007	2006
Liabilities to credit institutions	7,249	6,848
Other interest-bearing liabilities	10	11
Derivative instruments (Note 24)	17	-
Total	7,276	6,859

Current interest-bearing liabilities

SEK M	2007	2006
Liabilities to credit institutions	2,911	3,015
Bank overdraft facilities	371	150
Other interest-bearing liabilities	11	6
Derivative instruments (Note 24)	153	54
Total	3,446	3,225
Total interest-bearing liabilities	10,722	10,084

The recorded amounts for interest-bearing liabilities represent an accurate estimation of their fair value.

Bank overdraft facilities

SEK M	2007	2006
Credit limit approved	1,552	1,545
Of which, utilized	371	150
Unutilized portion	1,181	1,395

The Group's outstanding interest-bearing liabilities at year-end, adjusted for derivative financial instruments, have the following currency distribution, effective interest rates and fixed-interest terms

	Volume SEK M		Effective rate, %		Fixed-interest term adjusted for possible derivatives No. of days	
	2007	2006	2007	2006	2007	2006
SEK	1,583	1,967	4,2	3,1	168	114
USD	2,003	1,829	5,2	4,2	281	77
EUR	5,914	4,788	4,4	3,5	274	282
GBP	671	924	7,1	5,5	91	42
Other	551	576	6,4	3,8	39	37
Total	10,722	10,084	4,8	3,7	236	176

The Group's approved overdraft facilities

	2007		2006	
	Volume SEK M	Expires, year	Volume SEK M	Expires, year
Non-current				
Syndicated loan, EUR 27 M	256	2011	-	-
Syndicated loan, USD 20 M	129	2011	-	-
Syndicated loan, EUR 723 M	6,856	2012	6,794	2010
Syndicated loan, USD 580 M	3,752	2012	4,124	2010
Bond loan, EUR 40 M	379	2011	362	2011
Bond loan, EUR 50 M	474	2015	-	-
Bond loan, SEK 260 M	260	2010	-	-
Bond loan, SEK 300 M	300	2009	300	2009
Bond loan, SEK 200 M	200	2009	-	-
Bilateral loan, EUR 30 M	284	2012	272	2012
Other non-current loans	57	2012	-	-
Total	12,947			
Current				
Bond loan, SEK 100 M	100	2008	100	2008
Bond loan, SEK 100 M	100	2008	100	2008
Bond loan, SEK 100 M	100	2008	100	2008
Bond loan, SEK 100 M	100	2008	100	2008
Commercial paper program ¹⁾	2,276	2008	2,262	2007
Overdraft facilities	1,552	2008	1,545	2007
Other current loans	135	2008	32	2007
Bond loan, SEK 130M	-	-	130	2007
Total	4,363			
Total overdraft facilities	17,310		16,221	

The Group's current, non-committed credit lines amounted to approximately SEK 2,127 M at year-end 2007.

The loan agreements include the customary clauses. In addition to these, the syndicated loans include certain financial covenants pertaining to a debt/equity ratio that may not be exceeded and a certain interest-coverage ratio that must be maintained. At year-end 2007, there was a secure margin for both.

1) Shows amount utilized at year-end.

Note 28

Financial risk management

For a description of the Group's financial risks and policies regarding financial risks, see the section "Financial risk management" on pages 42-43.

Financial credit risk exposure

The Treasury Policy contains a special counterparty regulation that specifies the maximum credit risk exposure for various counterparties. Follow-up in relation to credit limits is conducted on an ongoing basis.

Counterparties have been subdivided into three categories - A, B and C. Category A contains selected nation states and some of the largest lenders to the Group, which also have a high credit rating. The maximum credit limit amounts to SEK 1,000 M, including the value of unrealized gains in derivative instruments. Category B comprises lenders to the Group and institutions with the lowest short-term rating of P1 according to Moody or A1 according to Standard & Poor. Investments with a longer tenure than one year include institutions with a long-term rating of not less than A1 according to Moody or A according to Standard & Poor. The maximum credit limit is SEK 500 M, including the value of unrealized derivative instruments. Category C encompasses counterparties outside category A and B that are preferably used by subsidiaries in developing countries, where it is either the case that no institution from category A or B exists or it has not been deemed appropriate to use any institution from these categories. Exposure 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, subdivided by category:

Category	Interest-bearing receivables		Cash and cash equivalents		Derivative instruments - unrealized gains, gross		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
SEK M								
A	-	-	104	143	156	72	260	215
B	-	-	250	336	6	42	256	378
C	5	45	176	137	-	-	181	182
Total	5	45	530	616	162	114	697	775

SEK 181 M in category C was invested with 20 counterparties, of which the single largest exposure totaled SEK 30 M.

Credit risk exposure in derivative instruments is established as the fair value on the balance-sheet date.

Taking into account ISDA agreements, the net receivable totaled SEK 14 M (44).

None of these adequate financial assets were renegotiated in the past year, nor have they matured or been impaired. No credit limits were exceeded in 2007 or 2006 and the management does not anticipate any losses as a result of 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 that comprise financial liabilities, subdivided into the periods remaining on the balance-sheet date until the agreed date of maturity. The amounts stated in the table comprise contractual, undiscounted cash flows.

At December 31, 2007

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowing, incl. interest	-3,779	-7,999	-501	-12,279
Interest-rate swaps with negative fair value	-26	0	-	-26
Accounts payable	-3,732	-	-	-3,732
Total	-7,538	-7,999	-501	-16,037
Accounts receivable	5,661	-	-	5,661
Interest-rate swaps with positive fair value	20	1	-	21
Net flow	-1,856	-7,998	-501	-10,355

To safeguard capital accessibility and maintain a suitable liquidity reserve, Trelleborg has a syndicated loan divided into two tranches, one tranche amounting to EUR 750 M (SEK 7,112 M) and the second tranche amounting to USD 600 M (SEK 3,881 M), of which SEK 385 M with final maturity in 2011 and SEK 10,608 M with final maturity in 2012. The unutilized portion of the loan amounted to SEK 5,688 M on December 31.

With this syndicated loan as long-term backing, the Group utilizes current borrowing to a certain extent to achieve the most cost-efficient method of financing as possible.

The financing that matures in 2008 primarily comprises bond loans and current borrowings via the company's commercial paper program and bank overdraft facilities.

The Group will continue to avail of the credit facilities that it deems necessary at each point in time to maintain adequate liquidity. Furthermore, cash and cash equivalents amounted to SEK 530 M (616) at year end.

At December 31, 2006

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowing, incl. interest	-3,556	-7,786	-	-11,342
Interest-rate swaps with negative fair value	-5	0	-	-5
Accounts payable	-3,470	-	-	-3,470
Total	-7,032	-7,786	-	-14,817
Accounts receivable	5,278	-	-	5,278
Interest-rate swaps with positive fair value	13	0	-	13
Net flow	-1,740	-7,786	-	-9,526

The table below shows the Group's financial derivative instruments that will be gross settled, subdivided into the periods remaining on the balance-sheet date until the agreed date of maturity. The amounts stated in the table comprise contractual, undiscounted cash flows.

At December 31, 2006

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Foreign-exchange forwards and currency option contracts				
-outflow	-16,654	-474	-	-17,128
-inflow	16,596	458	-	17,054
Total	-58	-16	-	-74

At 31 december 2006

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Foreign-exchange forwards and currency option contracts				
-outflow	-9,422	-1	-	-9,423
-inflow	9,414	1	-	9,415
Total	-8	0	-	-8

Note 29

Financial instruments by category

A description of each category is presented in the section "Accounting policies."

At December 31, 2007	Loan receivable and accounts receivable	Assets valued at fair value through profit or loss	Derivatives used for hedging purposes	Total
SEK M				
<i>Assets in the balance sheet</i>				
Derivative instruments	-	106	56	162
Financial non-current assets	-	4	-	4
Accounts receivable	5,661	-	-	5,661
Cash and cash equivalents	530	-	-	530
Total	6,191	110	56	6,357

At December 31, 2007	Other financial liabilities	Liabilities valued at fair value through profit or loss	Derivatives used for hedging purposes	Total
SEK M				
<i>Liabilities in the balance sheet</i>				
Derivative instruments	-	58	199	257
Interest-bearing non-current liabilities	7,259	-	-	7,259
Interest-bearing current liabilities	3,293	-	-	3,293
Accounts payable	3,732	-	-	3,732
Total	14,284	58	199	14,541

At December 31, 2006	Loan receivable and accounts receivable	Assets valued at fair value through profit or loss	Derivatives used for hedging purposes	Total
SEK M				
<i>Assets in the balance sheet</i>				
Derivative instruments	-	13	101	114
Financial non-current assets	29	1	-	30
Accounts receivable	5,278	-	-	5,278
Interest-bearing receivables	10	5	-	15
Cash and cash equivalents	616	-	-	616
Total	5,933	19	101	6,053

At December 31, 2006	Other financial liabilities	Liabilities valued at fair value through profit or loss	Derivatives used for hedging purposes	Total
SEK M				
<i>Liabilities in the balance sheet</i>				
Derivative instruments	-	57	30	87
Interest-bearing non-current liabilities	6,859	-	-	6,859
Interest-bearing current liabilities	3,171	-	-	3,171
Accounts payable	3,470	-	-	3,470
Total	13,500	57	30	13,587

Note 30

Noninterest-bearing liabilities

Other non-current liabilities

SEK M	2007	2006
Other Noninterest-bearing liabilities	68	41
Derivative instruments (Note 24)	7	-
Total	75	41

Other current liabilities

SEK M	2007	2006
Advance payment from customers	330	290
Accounts payable	3,732	3,470
Bills payable	13	8
Liability to associated company	0	2
Other Noninterest-bearing liabilities	485	400
Current liability to former minority shareholder in Wuxi	-	13
Derivative instruments (Note 24)	63	26
Accrued expenses and prepaid income (Note 33)	1,517	1,421
Total	6,140	5,630
Total Noninterest-bearing liabilities	6,215	5,671

Of which expected to be paid after 12 months but within five years:

Accrued expenses and prepaid income	-	0
Other Noninterest-bearing liabilities	0	-
Total	0	0

Liabilities are recorded at amounts that correspond to fair value.

Note 31

Pension provisions and similar

Specification of costs

SEK M	2007	2006
Cost of defined-benefit plans		
Costs for services during current year	45	57
Interest on the obligation	77	68
Anticipated return on plan assets	-53	-38
Actuarial gains and losses reported for the year	7	-6
Curtailment and settlement losses	-23	0
Total cost of defined-benefit plans	53	81
Cost of defined-contribution plans	168	155
Total pension costs	221	236

Actual return on plan assets amounts to SEK 76 M (46).

Change in pension liability in balance sheet

SEK M	Defined-benefit plans	
	2007	2006
Opening balance	790	814
Net expenses recorded in the income statement	53	81
Benefit payments	-106	-135
Increase attributable to acquisitions	0	87
Other changes	0	-20
Translation difference	28	-37
Closing balance	765	790
of which, unfunded obligations	672	685
of which, funded obligations	93	105

Specification of pension liability in the balance sheet

SEK M	2007	2006
Defined-benefit plans		
Present value of funded obligations	1,572	1,646
Fair value of plan assets	-838	-810
	734	836
Unrecorded actuarial gains	116	28
Unrecorded actuarial losses	-85	-74
Total defined-benefit plans	765	790
Defined-contribution plans	17	13
Total pension liability	782	803
of which reported as plan assets	20	16
Closing balance, pension liability	802	819

Important actuarial assumptions on the balance-sheet date, %

	UK	US	France	Germany	Italy	Netherlands	Sweden	Norway	Japan
Discount rate at December 31	5,80	5,93	5,25	5,20	5,00	4,50	4,30	4,35	2,00
Anticipated return on pension plan assets at December 31	5,94	7,00	-	-	-	4,50	4,30	5,40	-
Inflation	3,25	2,50	2,00	2,00	2,00	2,00	2,00	2,25	1,00
Future annual wage increases	3,60	3,75	3,00	2,60	3,00	3,00	3,00	4,50	2,00

Defined-benefit plans

The Group has several defined-benefit plans, whereby employees are entitled to post-employment benefits based on their final salary and length of service. The largest plans are in Sweden, France, Germany, the UK, Italy and the US.

Pension insurance with Alecta

Retirement pension and family pension obligations for salaried employees in Sweden are secured through pension insurance with Alecta. According to a statement issued by the Emerging Issues Task Force of the Swedish Financial Accounting Standards Council (URA 42), this constitutes a multi-employer plan. For the 2007 financial year, the company did not have access to such information that would enable the company to record this plan as a defined-benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is recorded as a defined-contribution plan. The year's contributions for pension insurance taken out with Alecta total SEK 17 M (22). Alecta's surplus can be distributed to the policyholders and/or the insured. At December 31, 2006, Alecta's surplus corresponded to a collective consolidation ratio of 144 percent - information for 2007 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	
	2007	2006	2007	2006	2007	2006
Opening balance	113	68	273	352	386	420
Reclassification	-9	14	10	-12	1	2
Reversals	-	-	-24	-18	-24	-18
Provisions for the year	287	92	185	121	472	213
Acquisitions	-	-	-	45	0	45
Utilized during the year	-126	-59	-127	-207	-253	-266
Translation difference	-3	-2	12	-8	9	-10
Closing balance	262	113	329	273	591	386
Of which, non-current provisions					332	202
Of which, current provisions					259	184
Of which, provisions for environmental commitments					71	64

Provisions for restructuring programs relate to the following restructuring programs:

- Closure of two plants in Trowbridge and West Thurrock, in the UK, and one plant in Italy, Fergom.
- Closure/relocation and restructuring of molded component operations in Trelleborg Engineered Systems.
- Specialization of plants for coated fabrics to realize synergies in conjunction with the acquisition of Reeves Brothers Inc. in 2006.
- Action program in sealing profiles business unit.
- Relocation of rims for special tires from Hadsten (Denmark) to Latvia.

Other provisions pertain to:

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

Note 33

Accrued expenses and prepaid income

SEK M	2007	2006
Interest	81	74
Wages and salaries	600	525
Payroll overheads	179	178
Pension expenses	20	-2
Tools	5	31
Derivative instruments (Note 24)	17	7
Other	615	608
Total	1,517	1,421

Note 34

Contingent liabilities and pledged assets

SEK M	2007	2006
<i>Contingent liabilities</i>		
Pension obligations	7	7
Guarantees and other contingent liabilities	5	10
Total	12	17
<i>Pledged assets</i>		
Plants and machinery	39	41
Total	39	41

Liabilities are recorded at amounts that correspond to fair value.

Note 35

Acquired and discontinued operations

Acquisitions

During the year, six acquisitions were made, for further information, see page 19.

Trelleborg Engineered Systems acquired:

Epros GmbH, Epros International Ltd and the Swedish company Gummiteknik GTM AB.

Trelleborg Sealing Solutions acquired:

Hydro-Components Research & Development Cooperation, AFM Inc and Sealing Solutions Inc, all of are in the US.

Trelleborg Wheel Systems acquired:

Solid Service Group in Australia.

Acquisitions	2007	2006
SEK M		
Purchase price	598	3,060
Direct costs related to acquisitions	18	35
Fair value of acquired net assets	-136	-1,113
Goodwill	480	1,982

Acquired assets and liabilities:	2007		2006	
	Fair value	Carrying amount in acquired unit	Fair value	Carrying amount in acquired unit
Property, plant and equipment	66	62	723	588
Intangible assets	2	2	54	54
Deferred tax	20	20	38	38
Associated companies	-4	-4	-1	-1
Other shares	-	-	7	7
Operating assets	107	107	1,108	1,092
Cash and cash equivalents	8	8	151	151
Minority shareholdings	-	-	75	75
Operating liabilities	-55	-55	-891	-891
	144	140	1,264	1,113
Of which, cash and cash equivalents in acquired units	-8		-151	
Total	136		1,113	
Net profit since date of acquisition	12		145	
Net profit in acquired units January - December	13		185	

Discontinued operations

SEK M	2007	2006
Operating profit in Trelleborg Automotive's operation in Coventry	-7	-5
Operating profit in Goodall Rubber Company	-2	25
Capital loss in connection with divestment of Goodall Rubber Company	-	-76
Reversal of guarantee provision Bröderna Edstrand	-	80
Operating profit	-9	24
Net financial expenses attributable to discontinued operation in Goodall	-	-1
Profit before tax	-9	23
Tax	-	-25
Net profit	-9	-2

Note 36

Events after the balance-sheet date

Change in the production structure

In early 2008, a decision was taken to initiate consultations regarding the closure or relocation of production at two of the Group's plants.

Trelleborg Sealing Solutions has decided to initiate consultations regarding the discontinuation of its operations in Derbyshire, in the UK, where manufacturing of large train gangways is conducted. The decision is in line with the business area's portfolio evaluation, which showed that the operation is not considered to offer attractive long-term growth and margin trends.

Trelleborg Engineered Systems has decided to consolidate and focus its production of special hoses, and to discontinue a number of non-profitable items from its range. This will entail that certain production of special hoses will be consolidated in the town of Trelleborg, Sweden, while certain parts are relocated to the business area's main plant for special hoses in Clermont-Ferrand, France.

The combined costs for the above changes in the production structure are estimated to be less than SEK 60 M, with most of this amount expected to be charged against the first quarter of 2008.

Judgment from Administrative Court of Appeal regarding tax dispute

In a judgment in 2004, the County Administrative Court in Skåne County prescribed for Trelleborg AB deductions for a tax loss carryforwards of about SEK 600 M that arose in conjunction with the divestment of operations in 1999. Following an appeal by the Swedish National Tax Board, the Administrative Court of Appeal in Gothenburg has changed the judgment of the County Administrative Court, with the effect that no deductions will be permitted for the loss. Trelleborg published a press release regarding this decision in February 2008.

The value of the tax loss carryforwards, which can be estimated at SEK 168 M, was not recorded earlier as an asset in the company's accounts. Accordingly, the Administrative Court of Appeal's judgment will have no impact on the company's income statement or balance sheet. Trelleborg intends to appeal the Administrative Court of Appeal's judgment in the Swedish Supreme Administrative Court.

Parent Company Trelleborg AB

Income statements

SEK M	Note	2007	2006
Administrative expenses	37, 38, 42	-439	-312
Other operating income	39	254	238
Other operating expenses	39	-	-1
Operating profit	40-41	-185	-75
Financial income and expenses	43	2,392	97
Profit		2,207	22
Income tax	44	264	193
Net profit		2,471	215

Cash-flow statements

SEK M	2007	2006
<i>Operating activities</i>		
Operating profit	-185	-75
Adjustment for items not included in cash flow:		
Gain/loss on sale of non-current assets	0	-3
Depreciation of PPE	2	2
Amortization of intangible assets	2	-
Divestments and disposals	0	3
	-181	-73
Cash dividend received	57	637
Interest received and other financial items	266	230
Interest paid and other financial items	-1,083	-787
Tax paid	0	-1
Cash flow from operating activities before changes in working capital	-941	6
<i>Cash flow from changes in working capital</i>		
Change in inventories	-	1
Change in operating receivables	4	-41
Change in operating liabilities	18	-19
Cash flow from operating activities	-919	-53
Acquisition of subsidiaries/capital contribution	-2,572	-3,008
Capital expenditures for PPE	-29	-1
Capital expenditures for intangible assets	-2	-3
Sale of non-current assets	2	6
Cash flow from investing activities	-2,601	-3,006
<i>Financing activities</i>		
Change in interest-bearing investments	1,818	1,277
Change in interest-bearing liabilities	2,244	2,279
Dividend paid	-542	-497
Cash flow from financing activities	3,520	3,059
Cash flow for the year	0	0
At January 1	0	0
Cash and cash equivalents, December 31 ¹⁾	0	0
1) Cash and cash equivalents:		
Cash and bank balances	0	0
Short-term investments	-	-
Total at year-end	0	0

Parent Company Trelleborg AB

Balance sheets

December 31, SEK M	Note	2007	2006
ASSETS			
<i>Non-current assets</i>			
Property, plant and equipment	45	32	7
Intangible assets	46	10	10
Financial assets	47, 48	32,520	28,420
Deferred tax assets	49	-	-
Total non-current assets		32,562	28,437
<i>Current assets</i>			
Current receivables	50, 51	76	80
Interest-bearing receivables	52	1,877	1,906
Cash and bank		0	0
Total current assets		1,953	1,986
TOTAL ASSETS		34,515	30,423
SHAREHOLDERS' EQUITY AND LIABILITIES			
<i>Shareholders' equity</i>			
53			
<i>Restricted equity</i>			
Share capital		2,259	2,259
Statutory reserve		1,130	1,130
Total restricted equity		3,389	3,389
<i>Non-restricted equity</i>			
Fair value reserve		7	132
Profit brought forward		4,342	3,865
Net profit for the year		2,471	215
Total non-restricted equity		6,820	4,212
Total shareholders' equity		10,209	7,601
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	56	137	121
Pension provisions and similar items	54	3	4
Other provisions	55	3	0
Total non-current liabilities		143	125
<i>Current liabilities</i>			
Interest-bearing current liabilities	56	24,073	22,623
Other current liabilities	57, 58	90	70
Other provisions	55	-	4
Total current liabilities		24,163	22,697
TOTAL EQUITY AND LIABILITIES		34,515	30,423
Contingent liabilities	59	9,816	9,559
Pledged assets	59	-	-

Change in shareholders' equity

Shareholders' equity SEK M	Restricted equity		Non-restricted equity		Total	
	2007	2006	2007	2006	2007	2006
Opening balance, January 1	3,389	3,530	4,212	3,733	7,601	7,263
Changes for the year:						
Reduction of share capital through cancellation of treasury shares		-141		141		
Dividend			-542	-497	-542	-497
Fair value gains			-173	-201	-173	-201
Tax on fair value gains			48	56	48	56
Group contribution			1,116	1,062	1,116	1,062
Tax on Group contribution			-312	-297	-312	-297
Net profit for the year			2,471	215	2,471	215
Closing balance, December 31	3,389	3,389	6,820	4,212	10,209	7,601

See also note 53.

Note 37

Employees and employee benefits

Average number of employees

	2007			2006		
	Total women	Total men	Total	Total women	Total men	Total
Sweden	37	45	82	36	43	79

Absence due to illness

	2007	2006
Absence due to illness as a percentage of normal working hours for		
- women	4,8	3,4
- men	0,3	0,2
- employees under age 30	0,0	0,5
- employees age 30-49	0,9	0,8
- employees age 49-	5,1	3,8
- all employees	2,2	1,7
Absence for a continuous period of 60 days or more as a percentage of total absence due to illness	68,4	36,8

Gender distribution in executive management positions, %

	2007	2006
Percentage of women in		
- executive positions	9	22
- on Board of Directors	18	18

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

2007						
SEK M	Board, President and Executive Vice Presidents	Other members of Group Management	Other employees	Total salaries	Social security expenses	of which, pension costs
Sweden	19	23	53	95	60	25

See also note 3.

2006						
SEK M	Board, President and Executive Vice Presidents	Other members of Group Management	Other employees	Total salaries	Social security expenses	of which, pension costs
Sweden	12	13	43	68	42	16

See also Note 3.

Note 38

Auditors' remuneration

SEK M	2007	2006
PricewaterhouseCoopers		
Audit assignment	5	5
Other assignments	3	3
Total	8	8

Note 39

Other operating income and expenses

SEK M	2007	2006
Sales of services to other Group companies	249	230
Sales of external services	3	3
Other	2	5
Total other operating revenue	254	238
Other	-	-1
Total other operating expenses	-	-1
Total	254	237

Note 40

Expenses by nature

SEK M	2007	2006
Employee benefits	-155	-110
Depreciation	-4	-5
Other external costs	-278	-200
Other operating income/expenses	252	240
Total	-185	-75

Note 41

Exchange-rate differences that impact operating profit

SEK M	2007	2006
Administration costs	-2	-1
Other operating income/expenses	2	1
Total	0	0

Note 42

Depreciation of PPE and amortization of intangible assets

SEK M	2007	2006
Buildings	-	0
Improvement expenses on buildings owned by others	-	0
Equipment, tools, fixtures and fittings	-2	-2
Capitalized expenditure for R&D and similar	-2	-
Total	-4	-2

Note 43

Financial income and expenses

SEK M	2007	2006
Income from investments in Group companies		
Dividend	3,209	637
Impairment losses on shares in subsidiaries	-	-94
Gain/loss from winding-up of subsidiary	0	111
Total	3,209	654
Gain/loss from other securities and receivables that are non-current assets		
Exchange-rate differences	-	26
Total	0	26
Other interest income and similar profit items		
Interest income, Group companies	77	204
Interest income, other	0	0
Exchange-rate differences	189	0
Total	266	204
Interest expenses and similar profit items		
Interest expenses, Group companies	-1,083	-787
Total	-1,083	-787
Total financial income and expenses	2,392	97

Note 44

Tax on profit for the year

SEK M	2007	2006
<i>Current tax expenses</i>		
Tax expenses for the period	0	-1
Total	0	-1
<i>Deferred tax expenses (-)/revenue (+)</i>		
Change in loss carryforwards	323	267
Revaluation of loss carryforwards	-11	22
Deferred tax expenses/revenue on changes in temporary differences	-48	-95
Total	264	194
Total reported tax expenses/revenue	264	193
<i>Reconciliation of tax</i>		
Profit before tax	2,207	22
Calculated Swedish income tax, 28%	-618	-6
Non-taxable dividends/income from shares in subsidiaries	898	209
Non-deductible impairment losses	0	-26
Other non-deductible expenses/non-taxable revenue	-5	-5
Revaluation of loss carryforwards	-11	22
Tax attributable to prior years	0	0
Other tax	0	-1
Total reported tax expenses/revenue	264	193
<i>Tax items reported directly against shareholders' equity</i>		
Deferred tax on fair-value gains	48	56
Deferred tax on Group contributions granted/received	-312	-297

Note 45

Property, plant and equipment

SEK M	2007		2006		Total	
	2007	2006	2007	2006	2007	2006
Improvement expenses on buildings owned by others	25	3				
Equipment, tools, fixtures and fittings	7	4				
Total	32	7				
	Improvement expenses on buildings owned by others		Equipment, tools, fixtures and fittings		Total	
SEK M	2007	2006	2007	2006	2007	2006
<i>Accumulated cost</i>						
Balance, January 1	6	6	14	13	20	19
Capital expenditures	25	-	4	1	29	1
Divestments and disposals	-6	-	-1	0	-7	0
Accumulated cost, December 31	25	6	17	14	42	20
<i>Accumulated depreciation according to plan</i>						
Balance, January 1	-3	-3	-10	-8	-13	-11
Divestments and disposals	3	-	2	0	5	0
Depreciation according to plan for the year	-	0	-2	-2	-2	-2
Accumulated depreciation according to plan, December 31	-	-3	-10	-10	-10	-13
Book value, December 31	25	3	7	4	32	7

Trelleborg AB has entered operating lease agreements. Leasing costs for assets held via operating lease agreements are reported as operating costs and amounted to SEK 5 M (4). Future payment for non-cancelable lease commitments amount to SEK 5 M (9) and fall due as follows:

SEK M	2007	2006
Year 1	3	7
Year 2-5	2	2
Total	5	9

Note 46

Intangible assets

SEK M	2007	2006
Capitalized expenditure for development work and the equivalent	10	10
Total	10	10
	Capitalized expenditure for development work and the equivalent	
SEK M	2007	2006
<i>Accumulated cost</i>		
Balance, January 1	10	10
Capital expenditures	2	3
Divestments and disposals	0	-3
Accumulated cost, December 31	12	10
<i>Accumulated amortization according to plan</i>		
Balance, January 1	-	0
Divestments and disposals	0	0
Amortization according to plan for the year	-2	-
Accumulated amortization according to plan, December 31	-2	-
Planned residual value, December 31	10	10

Note 47

Financial non-current assets

SEK M	2007	2006
Shares in Group companies (Note 17 and Note 48)	32,233	26,509
Receivables in Group companies	287	1,911
Shares in other companies	0	0
Total	32,520	28,420

Note 48

Shares in Group companies

SEK M	2007	2006
Balance, January 1	26,509	23,722
<i>Add:</i>		
Acquisitions	23	512
Capital contribution	2,549	2,805
Received through dividend	3,152	-
<i>Less:</i>		
Divestment/winding up	0	-436
Impairment losses	-	-94
Balance, December 31	32,233	26,509

See also Note 17.

Note 49

Change in deferred tax on temporary differences and loss carryforwards

SEK M	Temporary differences:						Total deferred tax receivable	
	Loss carryforwards		Non-current receivable		Current liabilities		2007	2006
Balance, January 1	0	8	0		0	39	-	47
Reported in income statement:								
- Change in loss carryforwards	323	267					323	267
- Revaluation of loss carryforwards	-11	22					-11	22
- Temporary differences			-48	-95			-48	-95
Recorded directly against equity:								
- Deferred tax on fair-value, gains			48	95		-39	48	56
- Tax on Group contributions received/granted	-312	-297					-312	-297
Total	-	-	-	-	-	-	-	-

See also Note 44.

Note 50

Current receivables

SEK M	2007	2006
Operating receivables, Group companies	27	28
Other current receivables	37	37
Prepaid expenses and accrued income (Note 51)	12	15
Total	76	80

Book value corresponds to fair value.

Note 51

Prepaid expenses and accrued income

SEK M	2007	2006
Interest and other financial items	-	0
Other	12	15
Total	12	15

Note 52

Interest-bearing receivables

SEK M	2007	2006
Financial receivables, Group companies	1,877	1,906
Total	1,877	1,906

Book value corresponds to fair value.

Note 53

Shareholders' equity

SEK M	Restricted equity		Non-restricted equity		Total	
	2007	2006	2007	2006	2007	2006
Opening balance, January 1	3,389	3,530	4,212	3,733	7,601	7,263
Changes for the year:						
Reduction of shareholders' equity through cancellation of treasury shares		-141		141		-
Dividend			-542	-497	-542	-497
Fair-value gains			-173	-201	-173	-201
Tax on fair-value gains			48	56	48	56
Group contributions			1,116	1,062	1,116	1,062
Tax on Group contributions			-312	-297	-312	-297
Net profit for the year			2,471	215	2,471	215
Closing balance, December 31	3,389	3,389	6,820	4,212	10,209	7,601

Trelleborg AB's share capital at December 31, 2008 amounted to SEK 2,258,931,525, split into 90,357,261 shares with a par value of SEK 25 each.

Class of shares	No of shares	% of total	No of shares	% of total
Series A	9,500,000	10,51	95,000,000	54,02
Series B	80,857,261	89,49	80,857,261	45,98
Total	90,357,261	100,00	175,857 261	100,00

See also Note 26.

Note 54

Provisions for pensions and similar

SEK M	2007	2006
Provisions for pensions	3	4
Total	3	4

Pensions and similar costs amounted to SEK 25 M (16).

Note 55

Other provisions

SEK M	2007	2006
Provisions for contract obligations	-	4
Provisions for long-term incentive program	3	-
Total	3	4

Of which SEK 0 M (4) is reported as a current provision.

Note 56

Interest-bearing liabilities

Interest-bearing non-current liabilities

SEK M	2007	2006
Other interest-bearing liabilities to Group companies	137	121
Total non-current interest-bearing liabilities	137	121

Interest-bearing current liabilities

SEK M	2007	2006
Other interest-bearing liabilities to Group companies	24,073	22,623
Total interest-bearing current liabilities	24,073	22,623
Total interest-bearing liabilities	24,210	22,744

Liabilities are recorded at amounts corresponding to fair value.

Note 57

Other current liabilities

SEK M	2007	2006
Accounts payable	28	23
Operating liabilities, Group companies	0	1
Other Noninterest-bearing liabilities	6	6
Accrued expenses and prepaid income (Note 58)	56	40
Total	90	70

Liabilities are recorded at amounts corresponding to fair value.

Note 58

Accrued expenses and prepaid income

SEK M	2007	2006
Interest and other financial items	-	0
Wages and salaries	32	15
Payroll overheads	13	5
Severance pay	1	6
Other	10	14
Total	56	40

Note 59

Contingent liabilities and pledged assets

SEK M	2007	2006
<i>Contingent liabilities</i>		
Pension obligations	1	1
Guarantees and other contingent liabilities	9,815	9,558
Total	9,816	9,559
Of which, on behalf of Trelleborg Treasury AB	9,281	9,179
Of which, on behalf of other subsidiaries	535	376
Pledged assets	-	-

The Parent Company has pledged assets for the subsidiary Trelleborg Treasury AB's operation. In accordance with this general guarantee, the obligation amounted to SEK 9,027 M (9,079) relating to direct loans and SEK 254 M (100) relating to the fair value of derivative instruments on the balance-sheet date.

Proposed treatment of unappropriated earnings

The Board of Directors and the President propose that the profit brought forward from the preceding year, SEK 000s	4,349,194
and the result for the year, SEK 000s	2,471,193
Total, SEK 000s	6,820,387

be distributed in the following manner:

A dividend of SEK 6.50 per share be paid to the shareholders, SEK 000s	587 322
balance to be carried forward, SEK 000s	6,233,065
Total, SEK 000s	6,820,387

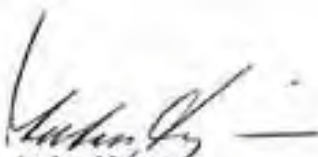
It is the view of the Board that the proposed dividend will not prevent the Company from meeting its current and non-current obligations nor from completing necessary investments. Consequently, the proposed dividend is justifiable with regard to the stipulations of Chapter 3, paragraphs 2-3 of the Swedish Companies Act (the "prudence principle").

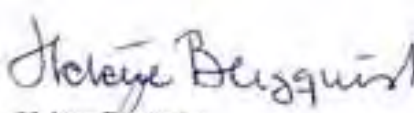
The proposed dividend increases the Group's debt/equity ratio to 113 percent. It is deemed possible to maintain the liquidity of the Group at an adequate level.

The Board of Directors and President affirm that the consolidated accounts have been prepared in accordance with IFRS international accounting standards, to the extent they have been adopted by the EU, and provide a true and fair view of the Group's profit and financial position. The 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.

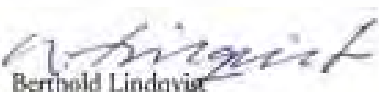
The Board of Directors' report for the Group and the Parent Company provides a true and fair overview of the development of the Group's and Parent Company's operations, profit and financial position and describes significant risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

Trelleborg, February 14, 2008

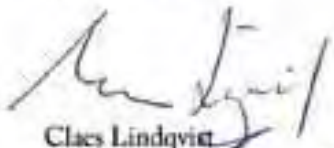

Anders Narvinger
Chairman

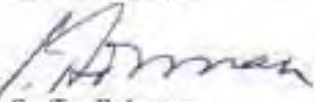

Heléne Bergquist


Rolf Larsson

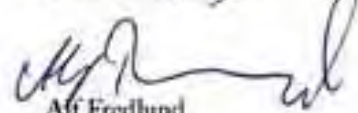

Berthold Lindqvist

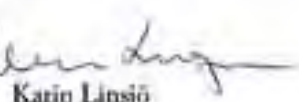

Rolf Kjellman


Claes Lindqvist


Staffan Bohman


Kim Davidsson

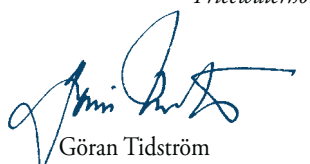

Alf Fredlund


Karin Linsjö


Peter Nilsson
President

Audit report submitted February 19, 2008.

PricewaterhouseCoopers AB


Göran Tidström
Authorized Public Accountant
Auditor in charge


Olov Karlsson
Authorized Public Accountant

Audit report for **Trelleborg AB**

Corporate registration number 556006-3421

To the Annual General Meeting of shareholders in Trelleborg AB:

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the President of Trelleborg AB (publ) for the financial year 2007. The company's annual accounts and the consolidated accounts are included in the printed version of this document on pages 10 – 97. The board of directors and the managing director are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of international financial reporting standards IFRS as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

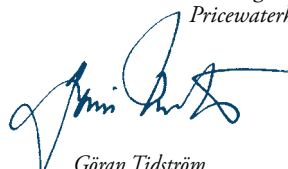
We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. We also examined whether any Board member or the

President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and thereby give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with international financial reporting standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The Board of Directors' report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the annual meeting of shareholders that the income statements and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Trelleborg, February 19, 2008
PricewaterhouseCoopers AB



Göran Tidström
Authorized Public Accountant
Auditor in charge



Olov Karlsson
Authorized Public Accountant

7-year overview

Trelleborg Group (SEK M unless otherwise stated) *)	2007	2006	2005	2004	2003	2002	2001
Continuing operations							
Net sales	30,810	26,875	23,307	22,136	17,127	16,183	16,514
Operating profit	1,716	1,483	1,729	1,218	1,052	860	758
Profit before tax	1,277	1,170	1,521	935	940	596	593
Net profit	847	768	1,143	713	626	388	462
Discontinued operations							
Net sales	161	409	863	776	833	1,447	2,246
Operating profit	-9	24	50	673	156	86	168
Profit before tax	-9	23	46	669	151	81	134
Net profit	-9	-2	34	673	94	36	65
Total net sales	30,971	27,284	24,170	22,912	17,960	17,630	18,760
Total operating profit	1,707	1,507	1,779	1,891	1,208	946	926
Total profit before tax	1,268	1,193	1,567	1,604	1,091	677	727
Total net profit	838	766	1,177	1,386	720	424	527
- of which attributable to Group's shareholders	821	751	1,161	1,372	702	410	515
- of which attributable to minority interest	17	15	16	14	18	14	12
Shareholders' equity	10,052	9,687	10,113	8,603	7,452	7,284	7,690
Capital employed	19,853	18,818	16,922	15,112	15,810	9,886	10,451
Net debt	10,093	9,350	7,236	6,951	8,447	2,962	3,267
Total assets	29,334	27,557	24,960	22,152	22,856	15,400	17,722
Equity/assets ratio, %	34	35	41	39	33	48	44
Debt/equity ratio, %	100	96	72	81	111	40	42
Capital turnover rate, multiple	1.6	1.5	1.5	1.4	1.5	1.7	1.8
Investments in property, plant and equipment	1,215	980	689	841	572	735	634
Investments in intangible assets	121	132	184	170	115	4	8
Acquisitions	616	3,095	368	346	6,141	133	322
Divestments	127	188	20	1,161	-87	105	88
Return on shareholders' equity, %	8.4	7.6	12.5	17.2	9.5	5.5	6.3
Earnings per share, SEK	9.10	8.30	12.90	15.55	8.40	4.75	5.35
Free cash flow	518	905	930	472	1,032	763	259
Free cash flow per share, SEK	5.75	10.00	10.30	5.35	12.35	8.85	2.70
Shareholders' equity per share, SEK	109.90	106.00	111.15	94.45	88.40	87.05	88.70
Shareholders' equity per share after dilution, SEK	109.90	106.00	111.15	94.45	87.60	86.15	87.85
Average number of employees	25,158	22,506	21,694	21,675	15,855	14,885	16,179
- of which, outside Sweden	22,836	20,268	19,243	19,117	13,773	12,919	14,125

*) Figures for 2001-2003 are reported in accordance with earlier accounting policies. Figures for 2004-2007 and reported in accordance with IFRS.

Continuing operations, excl. items affecting comparability **)							
EBITDA	3,276	2,726	2,560	2,600	1,918	1,754	1,803
EBITDA, %	10.6	10.1	10.8	11.6	11.0	10.3	11.0
EBITA	2,441	1,933	1,791	1,811	1,278	1,099	1,105
Operating profit	2,274	1,820	1,729	1,778	1,271	1,028	1,105
Profit before tax	1,836	1,507	1,521	1,495	1,159	764	940
Net profit	1,282	1,072	1,143	1,105	828	536	731
Operating margin (ROS), %	7.3	6.7	7.3	7.9	7.2	6.1	6.7
Return on capital employed (ROCE), %	11.5	9.9	10.7	11.3	11.7	11.4	11.3
Return on shareholders' equity, %	13.0	10.8	12.2	13.9	10.5	6.8	5.5
Earnings per share, SEK	14.00	11.70	12.50	12.40	9.70	6.05	7.30
Operating cash flow	1,718	1,594	1,751	1,421	1,202	1,047	1,388
Operating cash flow per share, SEK	19.00	17.65	19.45	16.10	13.70	12.20	14.45
Operating cash flow/operating profit, %	76	88	102	84	91	105	111
Average number of employees	25,042	22,227	21,318	21,294	15,453	14,370	15,449

**) For comparability, historical values have been adjusted for discontinued operations and figures for 2001-2003 are reported excluding goodwill amortization.

Favorable dividend yield in 2007

Trelleborg's Series B shares have been traded on the Stockholm Stock Exchange since 1964. The share is listed on the OMX Nordic List, Large Cap.

The share capital in Trelleborg AB amounts to SEK 2,259 M, represented by 90,357,261 shares, each with a par value of SEK 25.00. Trelleborg has two classes of shares: 9,500,000 Series A shares and 80,857,261 Series B shares. Each Series A share entitles the holder to ten votes and each Series B share to one vote. All of the Series A shares are owned by the Dunker Interests, comprising a number of foundations, funds and asset-management companies created through testamentary disposition by former owner and founder of the Helsingborg and Trelleborg rubber-production plants, Henry Dunker, who died in 1962. For further information about the Dunker Interests and its holding in Trelleborg AB, see www.trelleborg.com.



Share price and turnover

The price of Trelleborg's Series B shares declined by 17.4 percent (increase: 3.5) during the year. OMX Stockholm Price Index declined by 6 percent (increase: 24) during the year. The highest price paid in 2006 was SEK 224.00, on June 4. The lowest price paid was SEK 132.25 on December 4. At December 28, Trelleborg's market capitalization was SEK 12,243,409 M.

During 2007, 163.3 million (131.7) Trelleborg shares were traded on the Stockholm Stock Exchange, corresponding to 181 percent (146) of the total number of shares in the company, at a value of SEK 28,710 M (19,699).

In terms of value, Trelleborg's shares were the 40th (45th) most traded on the Stockholm Stock Exchange in 2007.

The average daily turnover amounted to about 656,000 (531,000) shares or SEK 115.3 M (79.4). Of the total number of shares, foreign shareholders corresponded to approximately 26 percent (30), at December 31, 2007. Institutions accounted for the majority of ownership. Of the total shares, 85 percent (84) were, at year-end, owned by legal entities and 15 percent (16) by private individuals, representing 92 percent (92) and 8 percent (8), respectively, of the total number of votes.

This information is based on the official share register and list of trustees at December 28, 2007.

During the past five years, Trelleborg shares have increased in price an average of 14 percent per year and generated a dividend yield of 4,0 percent per year.

Earnings per share



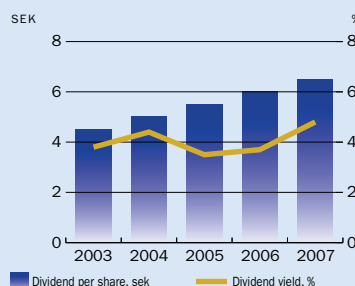
Dividend of SEK 6.50 per share

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

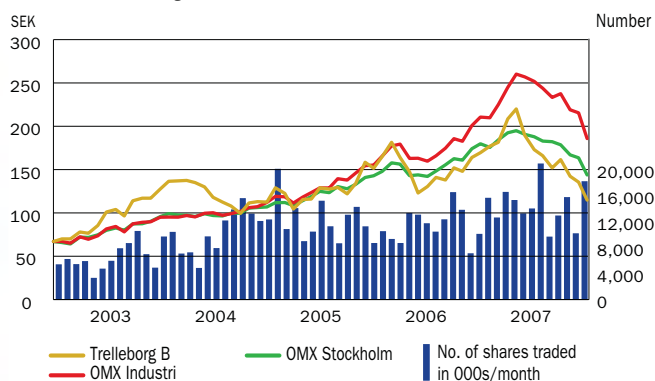
The Board of Directors and President propose that a cash dividend of SEK 6.50 (6.00) per share be paid.

The proposed dividend, equivalent to approximately SEK 587 M, means that approximately 71 percent of net profit, and 46 percent of net profit for continuing operations, excluding items affecting comparability, will be distributed for the 2007 fiscal year.

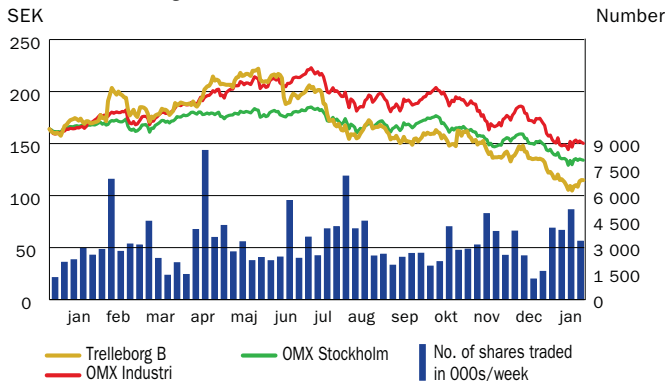
Dividend per share / Dividend yield



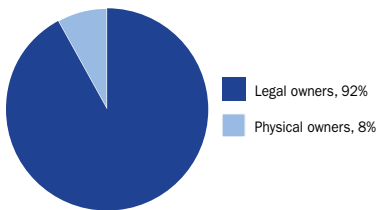
Price trend and trading volume Jan 2003 – Jan 2008



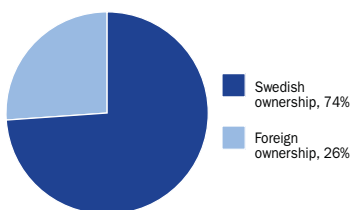
Price trend and trading volume Jan 2007 – Jan 2008



Legal and physical owners, based on votes



Swedish and foreign ownership, based on votes

**Trelleborg AB's 10 largest shareholders as of December 28, 2007**

No.	Shareholder	Number of shares	Percent of share capital, %	Percentage of voting rights, %
1	Dunker Interests	12,169,774	13.5	55.5
2	Alecta Pension Insurance	7,845,000	8.7	4.5
3	AFA Insurance Companies	6,690,080	7.4	3.8
4	Didner & Gerge Equity Fund	4,490,000	5.0	2.6
5	Swedbank Robur funds	1,727,072	1.9	1.0
6	Skandia Liv	1,637,773	1.8	0.9
7	Odin funds	1,551,353	1.7	0.9
8	DFA funds (US)	1,418,300	1.6	0.8
9	First Swedish National Pension Fund	1,255,300	1.4	0.7
10	SEB and funds	1,190,571	1.3	0.7
	Other 44,621 shareholders	39,975,223	55.7	28.6
Total shares		90,357,261	100.0	
Total votes		175,857,261		100.0

Distribution of shares as of December 28, 2007

At year-end 2007, the number of shareholders totaled 41,631 (44,223), of whom 22,913 (25,272) were directly registered and 18,718 (18,951) nominee-registered.

Number of shares	Number of shareholders	Percentage of total no. of shares	Change from Dec 29, 2006, percentage points
1 – 1,000	38,112	9.67	-0.69
1,001 – 5,000	2,820	6.98	0.12
5,001 – 50,000	544	8.77	0.73
50,001 –	155	74.58	-0.16
Total	41,631	100.00	

Number of shares, voting rights and share class

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

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Key data per share

SEK (unless specified otherwise)	2007	2006	2005	2004	2003
Continuing operations					
Earnings	9.20	8.30	12.50	7.95	7.30
Earnings, after dilution	9.20	8.30	12.50	7.95	7.00
Earnings, excluding items affecting comparability	14.00	11.70	12.50	12.40	9.70
Total					
Earnings	9.10	8.30	12.90	15.55	8.40
Earnings after dilution	9.10	8.30	12.90	15.55	8.05
Shareholders' equity per share	109.90	106.00	111.15	94.45	88.40
Shareholders' equity per share after dilution	109.90	106.00	111.15	94.45	87.60
Dividend	6.50 ¹⁾	6.00	5.50	5.00	4.50
Yield, %	4.8	3.7	3.5	4.4	3.8
Market price, B share, December 28, last paid price	135.50	164.00	158.50	113.00	117.00
P/E ratio	15	20	12	7	14
Turnover of series B share, calculated by value, %	204	163	170	139	93
No. of shares (excluding Trelleborg's own holdings)					
At Dec 31	90,357,261	90,357,261	90,357,261	89,717,261	84,291,318
Average	90,357,261	90,357,261	90,160,338	88,315,113	83,701,750
Average after dilution, Dec 31	90,357,261	90,357,261	90,357,261	89,728,866	87,866,058
After dilution, average	90,357,261	90,357,261	90,160,338	88,326,738	87,276,490

For 2003, excluding goodwill amortization.

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



DAMP

Sound and noise are vibrations that have become a growing problem in our daily lives. Consequently, high-performance antivibration products and noise dampers are in demand. Trelleborg's specialists are constantly developing innovative, new solutions that absorb vibrations.



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Taking greater **responsibility** is an integrated part of our business



We are emphasizing Trelleborg's increased focus on corporate responsibility (CR) in matters concerning the work environment, environmental impact, business ethics and social responsibility in several ways.

Since 2007, we have been a participant in the UN Global Compact, and we also encourage our suppliers to work in accordance with the Global Compact's principles. During the year, we also launched our new Code of Conduct, which is based on interna-

tional conventions and agreements in the CR field. We view the new code as an excellent tool to ensure compliance with generally accepted business principles in all of our units globally.

Furthermore, we took clear steps to prevent and reduce the climate-related effects of our operations by initiating a climate survey in the UK and participation in the Carbon Disclosure Project.

At the same time, in light of subsidiaries of Trelleborg being found in contexts related to violations of competition law – which is absolutely unacceptable – we focused on how we conduct ourselves in the market. I want to emphasize that our Code of Conduct and other internal rules in this area are extremely clear, and we are investing considerable resources in the form of time, energy and money on training the organization in the regulations and how we should conduct ourselves.

With the help of continuous improvement, we are developing our corporate responsibility and the transparent reporting of how we bear this responsibility step-by-step. This Annual Report is an important part of this; for those who would like further details, I would like to recommend our annual Corporate Responsibility Report.

*Peter Nilsson
President and CEO*

Strategy, governance and dialog

Trelleborg has chosen to use the term corporate responsibility (CR) to clearly mark the breadth of the company's responsibility to its stakeholders. By this, we mean a responsibility that spans the entire area of sustainability, in other words environment, health and safety issues as well as ethical relationships with employees, the market and society.

Trelleborg's work on corporate responsibility is conducted as a part of the Group's business model and contributes to the achievement of the Group's goals. Shareholders, customers and other stakeholders expect Trelleborg to take responsibility for improving the environmental aspects of its operations and actively contributing to a sustainable society. Accordingly, the objective of the CR efforts is to create added value for the business and its stakeholders, and to achieve our high ambitions with regard to environmental and social responsibility and ethics in organizational and corporate governance matters.

Since 2007, Trelleborg has participated in the UN Global Compact network, an initiative for responsible business practices, focusing on the environment, working conditions, human rights and anti-corruption.



Sustainability a part of the business

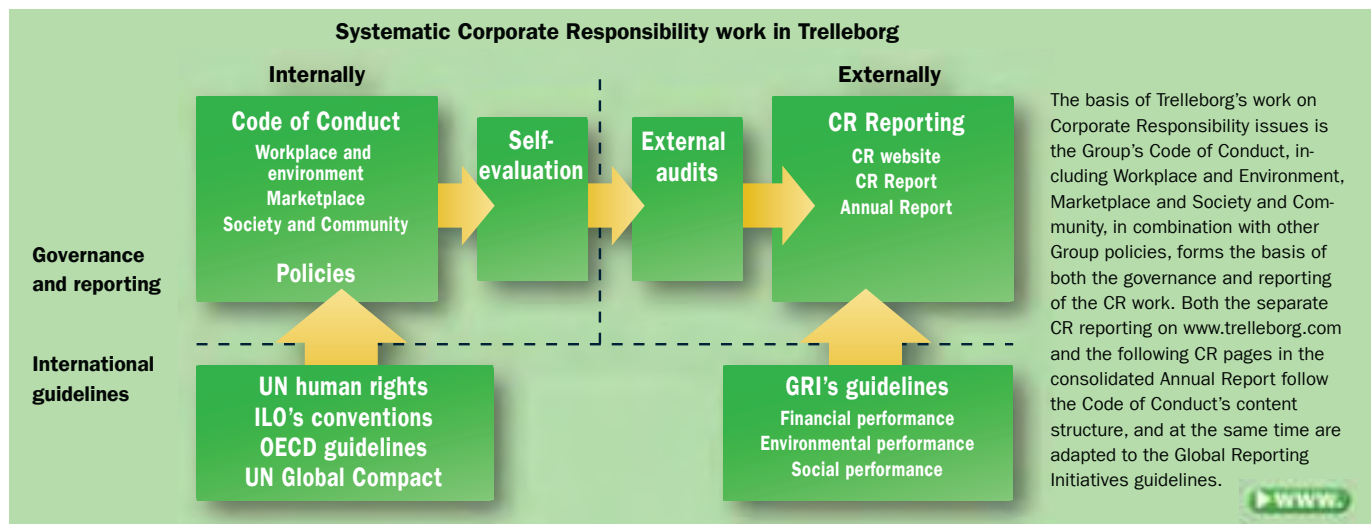
Through its primary task – to seal, damp and protect in demanding industrial environments – Trelleborg contributes positively and innova-

tively with products and solutions for the development of society in the environment, health and safety areas. A selection of examples of this includes seals for wind power plants, seals for windows and doors that improve the indoor climate and reduce the consumption of power, seals for hydraulic applications that prevent hazardous chemicals from leaking out into the surroundings, tunnel seals and rubber membranes in projects that protect cities from flooding, as well as vibration damping solutions in cars and other vehicles.

At the same time, risks and effects from our operations exist from an environmental and work-environment perspective. Prioritizations with regard to the efforts to prevent and reduce these risks are described in further detail below.

Code of Conduct as the basis of governance

In 2007, Trelleborg initiated the training of the organization on a broad front about the company's Code of Conduct, our central tool in the areas of the environment, work environment and ethics. During the year, salaried employees – managers at all levels, sales employees and other employees with computer access – underwent a web-based training program. The program is concluded by a test and certification that the participant understands and accepts the Code of Conduct. In 2007, approximately 80 percent of the target group successfully com-



CR reporting on the Internet

Trelleborg is continuing to expand its corporate responsibility reporting on the Internet. Visit www.trelleborg.com for access to all CR-related information, an interactive information database and an index that clarifies how reporting relates to the Global Reporting Initiative (GRI) report structure. CR-related information for 2007 has been gathered from the Group's production plants and from other available statistics in accordance with the Group's standard for CR reporting. The Group's staff functions compile and process the information. The accounting principles are explained in detail at www.trelleborg.com/cr.



GRI and external auditing

For the 2006 Sustainability Report, Trelleborg was placed at application level C in accordance with Global Reporting Initiative's (GRI's) criteria. This level was verified and confirmed by Öhrlings PricewaterhouseCoopers as a third party, who also audited selected indicators in the Group's Sustainability Report.

The Corporate Responsibility Report for 2007 will contain the same types of audits, with an expansion of the number of indicators (published in April 2008).



pleted training. In the first quarter of 2008, the rest of the organization is being trained with the help of conventional classroom training.

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

Self-evaluation based on the Code of Conduct, which includes Trelleborg's Environment, Health and Safety Policy, is the basis of internal work on CR issues (see figure on page 89). Within certain defined areas, the evaluation is reinforced by external audits, such as ISO 14000 audits.

Trelleborg's CR reporting is conducted in accordance with the Global Reporting Initiatives guidelines, version G3.

The Group has a whistle-blower policy, which means that every employee has the right to report suspicions of serious breaches of laws or regulations without any repercussions whatsoever.

Active stakeholder dialog

Our stakeholder communication shall be characterized by open relationships, regular dialog, clarity and a high level of ethics. The dialog with Trelleborg's various stakeholders intensified during 2007. The most important stakeholders are *Customers, Suppliers and Partners, Shareholders and Investors, Employees, Authorities and Society*. The selection of dialog partners in the respective groups is guided by their relevance to the achievement of the company's goals, both general and CR goals. With the aim of improving work on sustainability issues, an analysis was conducted in 2007 in which selected stakeholders evaluated which aspects of the work they viewed as the most significant to the company (see figure on page 91). An active dialog in CR issues is conducted with independent organizations, ethical funds and authorities, among others.

Some examples of stakeholder engagements from the past year:

- Trelleborg participated in the Global Compact's annual Leader Summit.

- In October, a two-day seminar was held at which 40 graduate students from the International Institute for Industrial Environmental Economics in Lund, Sweden submitted feedback on Trelleborg's 2006 Sustainability Report (see below).
- In November, Trelleborg Automotive's facility in Guarulhos, Brazil was visited by representatives from Banco, a Swedish fund specialist that focuses on responsible investment.
- The Group's headquarters in Trelleborg was visited by representatives of Save the Children Sweden, which presented examples of how their work is progressing with support from such companies as Trelleborg.

Main channels for stakeholder dialog:

- A main channel for all of Trelleborg's stakeholders is the company's website, www.trelleborg.com, with about 60 associated websites.
- Customers: Meetings with Trelleborg's representatives and customers. The customer magazine T-Time (four issues per year).
- Suppliers and partners: Supplier audits.
- Shareholders and investors: Shareholder service (telephone and e-mail channels), Annual General Meetings, analysts' meetings, meetings with ethical investors.
- Employees: Internal communications channels, such as TrelNet (intranet), Connect (internal magazine, two issues per year), trade union cooperation and events.
- Society: Local Open House and sponsorship activities, cooperation with universities and colleges.
- Authorities: Dialog with local supervisory authorities about specific issues. Trelleborg also works through trade organizations on the national and European levels.

Organization

On the Board level, the task of the Audit Committee is to monitor the follow up and reporting of issues within the framework of corporate responsibility. The Corporate Communications staff function is responsible for coordinating and reporting the Group's CR work. Reporting of CR issues is managed by a group with representatives from the Group Corporate Communications, Legal Affairs, Environment, HR and Purchasing staff functions.

Students acted as stakeholders

Trelleborg asked postgraduate students at the International Institute for Industrial Environmental Economics in Lund, Sweden to review the Group's sustainability efforts and the 2006 Sustainability Report. The students come from countries from around the world. Some of them already work with environmental or social issues and they have been carefully selected for advanced, in-depth studies at the institute. Applying their knowledge to a real company was also a valuable experience for them.

The students were divided up into groups that represented Trelleborg's six most important groups of stakeholders: Shareholders/investors, customers, suppliers, employees, authorities and society.

The overall impression was positive and the information was

considered to be relevant as such. However, it became clear that different stakeholders needed different types of information.

"By several stakeholders being included in the picture, the report becomes more reliable," says Krishna Manda, a student from India (pictured).

"We appreciate the actual dialog a great deal. Some of the information is too technical," say Na Lin from China and Brandan Cook from the US, who acted as Trelleborg employees. While the investor group was looking for more figures and the suppliers sought the requirements applicable to them, those representing the customers were looking for a list of "green" products.

"What are the business opportunities? How can Trelleborg help its customers become more environmentally friendly?" asked Angelica Marino from Sweden.



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

The central Group function, Environment, which is a part of Group Legal Department, is responsible for control and coordination of environment issues based on the Group's environmental policy and the central environmental objectives. The Group's Environment Forum, a group that meets four times a year and consists of environmental managers from the four business areas, functions as an aid to the central Environment Group function.

Sustainability-related risks and opportunities

In the autumn of 2007, a materiality analysis was conducted with the aim of establishing the sustainability aspects that are central to Trelleborg. Such an analysis is based on both external and internal stakeholders' opinions. Some 20 aspects were identified through review of documents such as Trelleborg's Code of Conduct, the Global Compact, Global Reporting Initiative guidelines and the Dow Jones Sustainability Index. The results presented below provide support for prioritization in the CR work and CR reporting, as well as more in-depth stakeholder dialogs.

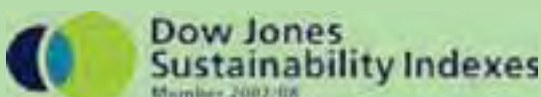
The stakeholders' view of Trelleborg's corporate responsibility

Significance to external stakeholders	Very important	<ul style="list-style-type: none"> Environmental performance of products Waste recovery Investment and supplier practices Climate strategy 	<ul style="list-style-type: none"> Use of hazardous chemicals in manufacturing Energy and raw material consumption Emissions to air and water Occupational health and safety Corruption and bribery Risk and crisis management Corporate governance and transparency Open and honest communication
	Important	<ul style="list-style-type: none"> Management/employee relations Diversity and non-discrimination Community relations Public policy and lobbying 	<ul style="list-style-type: none"> Competitor issues Training and development Product quality and safety Talent attraction and retention
		Important	Very important

Significance to the company internally

Risks: In the conclusions of the analysis, some aspects of responsibility appear to be more central than others and, accordingly, are very important to prioritize in both the CR work and the reporting of it. Environmental aspects such as Energy and raw material consumption, Use of chemicals in manufacturing and Emissions to air and water were highly prioritized aspects from both an external and an internal perspective.

Opportunities: A large number of suggestions arose with regard to links between CR issues and business opportunities for Trelleborg. The suggestions primarily concerned everything within "green" product development, waste/recycling, use of natural resources, the climate issue and climate-related products and solutions, and indicate major future potential for the Group in this area.



Sustainability work with results

In the 2007 review, Trelleborg was selected to be a part of the group of companies that forms the basis of the Dow Jones STOXX Sustainability Index. The companies are chosen after a systematic review of performance in the financial, environmental and social areas to identify leading companies in the area of sustainability.

Trelleborg also won the 2007 FAR SRS (trade association for accountants and financial advisors) prize for Sweden's best sustainability report. Trelleborg shared the prize in the category Best Independent Sustainability Report with Vattenfall.

Trelleborg was also among the six best companies in the 2007 review by the

accounting and consulting firm Deloitte with regard to information concerning environmental work, and ethical and social involvement. The review primarily comprised companies listed on the OMX Nordic Exchange in Stockholm.

The Carbon Disclosure Project (CDP), a ranking compiled for investors about how companies manage climate-related issues, placed Trelleborg high among Swedish companies. In CDP's assessment of Nordic companies, Trelleborg was awarded 75 points out of 100 possible and was ranked among the five best companies in the Nordic "carbon dioxide intensive" sector.

In Folksam's 2007 index for responsible enterprise, Trelleborg was awarded five out of seven stars for its work with the environment, and four out of seven stars for its work with human rights.

Responsibility for **the workplace** and **the environment**

Trelleborg has extensive production operations in some 30 countries. Therefore, environment, health and safety issues constitute a central element of the company's responsibility work.

The most significant environmental aspects include energy and raw materials consumption, emissions to air and water, waste and noise. Operations also generate extensive transports. The environmental impact of individual facilities varies widely, depending on their size and processes. At year-end 2007, production was conducted at 125 facilities, of which 83 were in Europe, 32 in North and South America, 8 in Asia and 2 in Australia.

In the Group, a proactive endeavor is underway to reduce the environmental impact and environmental risks, and to increase resource efficiency. This work is conducted on both central and local levels. The priority areas, which are also emphasized in the Group's Environmental Policy, are environmental management, energy and material, and environmentally adapted product and process development. During 2007, the climate issue was placed in focus through a project in the UK and through increased reporting.

The Group also took a step forward towards an internal standard for the environmental work through Trelleborg's internal environmental handbook with recommendations that address the ten most central issues with regard to policy and risk. These recommendations are intended to be implemented globally within the entire organization.

The expansion of operations, both through acquisitions and organic growth, has meant that environmental impact has increased in absolute terms. However, relative to growth, most key data indicates a downward trend, a development which is supported by continued integration and efficiency enhancements in operations.

Environmental management

Proportion of facilities with ISO 14001 certification: 74 percent (73)

An important cornerstone in the environmental work is the environmental management standard ISO 14001, an obligatory requirement for all production plants in the Group. At the end of 2007, a total of 92 facilities were certified, equivalent to about three-fourths of all plants. Another 15 facilities plan on certification in the next year. Newly acquired plants will introduce the system within three years.

Energy

Total energy consumption: 1,519 GWh (1,312)

Energy savings is a focus area in Trelleborg's environmental policy and the objective is for all production plants to develop an energy savings plan. Two-thirds of the facilities currently have such a plan. Greater energy awareness has positive environmental effects and reduces the effects of increased energy costs. The Group's total energy costs for 2007 amounted to SEK 660 M (610). The proportion of renewable energy amounted to 13 percent.

Raw materials

Raw rubber consumed: 183,100 tons (173,600)

Other polymers: 34,700 tons (27,000)

The most important raw materials are polymers and metal components as well as additives such as softening agents (oils), fillers and vulcanizing agents (sulfur, peroxides). Of the rubber used, approximately 40 percent is natural rubber and 60 percent is synthetic rubber.

As a chemical user, Trelleborg is affected by the new EU chemical legislation, REACH. During 2007, an inventory was conducted of the European plants' chemical purchases, which indicated that Trelleborg imports chemicals from non-European manufactures to the EU only to a limited extent. Work with different REACH activities will continue in 2008.

Climate impact

Direct carbon dioxide emissions: 146,200 tons (140,200)

Indirect carbon dioxide emissions: 123,400 tons

The Group's climate impact is due to carbon dioxide emissions from the burning of fossil fuels and indirectly from the use of electricity and steam. Only two facilities are covered to a limited extent by the EU directive on the emissions trading scheme. The total allotment for 2007 corresponded to 16,870 tons of carbon dioxide.

During the year, Trelleborg's operations in the UK participated in a pre-study concerning climate impact and energy efficiency enhancements that will be continued on a larger scale in 2008 (see box below).

In 2007, Trelleborg participated in the Carbon Disclosure Project's voluntary reporting for the first time. The report is available at www.cdproject.net.

Climate-related measures 2007

In 2007, Trelleborg reported its emissions of greenhouse gases in accordance with the principles of the Carbon Disclosure Project (CDP). CDP is a project that works globally on behalf of investors to gather information about emissions of greenhouse gases by industry, as well as measures that the companies undertake to prevent negative climate effects. CDP gathers and presents the world's most extensive registry of emissions data from companies at www.cdproject.net.

In 2007, selected Trelleborg companies in the UK took part in a pre-study on carbon dioxide reduction and energy efficiency enhancements. The pre-study resulted in a number of identified energy savings opportunities at the four participating plants, and the project also identified significant improvement potential with regard to energy consumption in all of Trelleborg's other operations.

Based on the positive results, Trelleborg has decided to continue these efforts in the form of participation in a full-scale Carbon Management program supported by Carbon Trust, an organization charged by the British Government to reduce emissions throughout the UK.

Within the scope of the program, a number of issues will be addressed, including an estimate of the "carbon dioxide footprint", development of a Group-wide carbon dioxide and energy policy, assessment of alternative sources of energy, and the identification and introduction of energy saving measures in operations. The program is focused on the UK, but the intention is to transfer this knowledge to the rest of the Group.



Emissions to air

Volatile organic compounds: 1,556 tons (1,523)

Besides energy-related emissions of 300 tons of carbon dioxide and sulfur dioxide, and 70 tons of nitrogen oxide, emissions to the air are primarily composed of volatile organic compounds, VOC.

Emissions of VOC primarily come from the use of adhesive agents containing solvents and the manufacture of printing blankets. Multiple projects are underway to replace solvent-based products in several areas, with positive effects on both the environment and the work environment.

Water

Water use in production: 4.6 million m³ (5.3)

Water is used in production primarily for cooling and cleaning.

Emissions to water are limited and are primarily composed of organic materials, COD, 783 tons and nutrient substances, 7 tons.

Waste

Total amount of waste: 76,600 tons (64,350)

Degree of recycling: 52 percent (54)

Continuous work is underway in the local operations to find waste disposal possibilities with a higher degree of recycling and at a lower cost. In 2007, the Group's total waste management cost amounted to SEK 55 M (SEK 46.8 M). Hazardous waste amounted to 4,600 tons.

Of the total waste, rubber waste constituted slightly more than a third.

Permits and violations

The majority of the plants are required to hold permits under local law. All 18 facilities in Sweden are required to hold permits and register their activities. Applications to renew environmental permits are currently being processed for 32 facilities (two in Sweden) of which all are expected to receive the permits requested.

During the year, some kind of violation against the terms of the permit or local environmental, health and safety legislation occurred at 17 (18) facilities. Of these, three cases have resulted in fines. The total cost of fines amounted to approximately SEK 2.8 M, of which SEK 2.7 M comprised fines for not having turned over emission rights for carbon dioxide within the time allotted for the plant in Breuberg, Germany. Other causes of violations were noise and emissions to air.

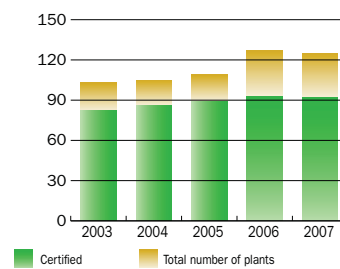
Complaints from neighbors and others concerned were directed at 4 (6) facilities. The most common reason is noise and odor.

Environmental debts

The handling of oil and solvents has historically often given rise to oil and ground water pollution. Cleaning of polluted soil is currently underway at four plants.

Another nine facilities are assessed to be required to be decontaminated to an extent not yet established. In addition, Trelleborg is active as one of several formal parties to another six cases of decontamination (three in Sweden and three in the US), although with a marginal cost responsibility. The Group's provisions for environmental commitments amounted to SEK 71 M (64) at year-end.

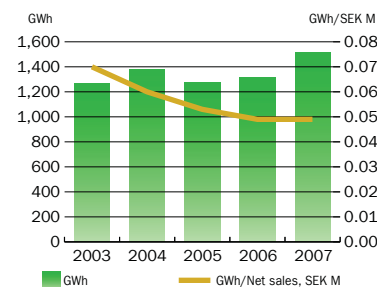
Number of ISO 14001 certified facilities



Environmental management:

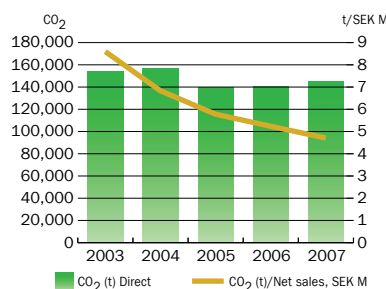
The number of certified units is on a par with 2006 due to the addition of units and the amalgamation/divestment of others. A total of five units were certified in 2007.

Energy consumption



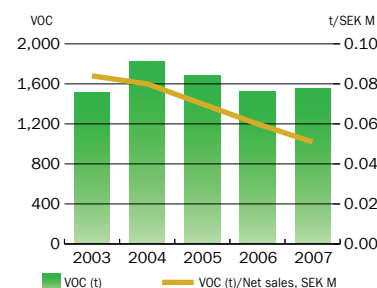
Energy: Total energy consumption increased as a result of acquisitions and increased production. The value for 2007 includes consumption of purchased steam and district heating of approximately 110 GWh. Consumption relative to sales is in line with 2006.

Carbon dioxide emissions



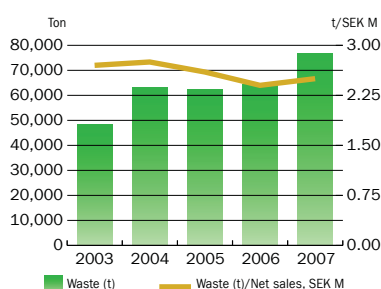
Climate impact: Carbon dioxide emissions increased slightly in 2007 due to increased energy consumption, however, the energy mix (more natural gas) means that there was a reduction relative to sales. The emission factors for the calculation of carbon dioxide were updated. The preceding year's values were restated to enable comparability.

VOC emissions



Emissions to air: Emissions of volatile organic compounds increased somewhat, primarily due to the solvent-intensive production of printing blankets. Meanwhile, several other units reduced emissions in line with new EU regulations. Emissions decreased relative to sales.

Total waste



Waste: The volume of waste increased both in total and relative figures. This was primarily attributable to increased production and new activities.

Work environment – Health and safety

Trelleborg's Code of Conduct emphasizes the objective of preventing work-related injuries and illness at all of our workplaces globally. In order to achieve this, the Safety@Work project was launched in 2005 at selected plants in the US and Europe with the aim of creating a benchmarking process that supports continuous improvement to achieve a high health and safety standard in all of the Group's units.

During 2008, Trelleborg's Safety@Work program will be further developed and further implemented in the Group's production plants with the ambition of having reached approximately 90 percent of all plants by year-end 2008. The development of the Safety@Work program is followed up by Trelleborg's CR reporting structure. To date, injuries and illness have decreased in all of the countries in which the program was applied.

In 2007, 854 (942) work-related accidents resulting in more than one day's absence were reported. The most common causes were injuries from machines or other equipment. In January 2007, an employee in the US was killed in a car accident in connection with a business trip.

Union membership

Trelleborg's policy is to recognize local union clubs where so desired by the employees. More than 50 percent of Trelleborg's employees at the Group's production plants are represented by unions.

In 2007, Trelleborg signed a collective agreement in Sri Lanka with the Free Trade Zones and General Service Employees Union.

Within Trelleborg, continuous change processes are underway in connection with acquisitions, divestments and rationalizations. Accordingly, a primary task is to provide the conditions for change and, with respect for each employee, reduce uncertainty and insecurity, while at the same time ensuring the company's continued competitiveness. In connection with restructuring efforts during the year, approximately 800 employees have been affected, primarily in the UK, the US and Sweden.

Diversity and equality

Trelleborg's Code of Conduct states that Trelleborg shall not apply special treatment to employees in regard to employment or work assignments on the basis of gender, religion, age, disability, sexual orientation, nationality, political opinions or social or ethnic origin. During 2007, one case of discrimination was reported and reviewed in the UK. Measures have been taken so that the situation will not repeat itself.

Trelleborg was ranked 105th of 240 Swedish listed companies in Folksam's 2007 Equality Index. Trelleborg received the grade of 2.03 in the industry category "General industries," significantly above the average rating of 1.72. The index is based on the proportion of women in the company, on the Board and in management.

Human rights

Human rights, such as child labor, forced labor and the right to union representation, are treated in Trelleborg's expanded Code of Conduct in the section "Fair employment practices."

With regard to human rights, the company is included in Amnesty Business Group's rating that measures the risk of human rights violations. Trelleborg shows a result that is in line with the other participating Swedish industrial companies. During the year, no violations have occurred with regard to involuntary work or child labor.

Talent management

Talent Review

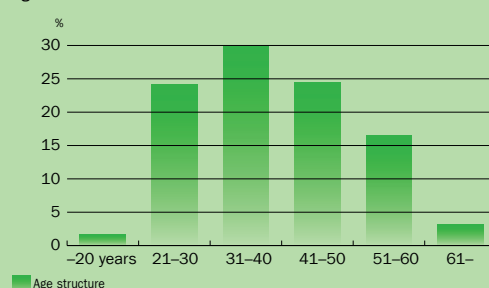
In 2007, Trelleborg introduced an extensive and restructured talent review process to secure a strong talent base in the Group. The process is obligatory and is carried out in the same way throughout the organization. In 2007, 547 people participated in the process.

Talent review focuses on analyzing performance and potential. Additionally, future succession is also planned for. An important part of the process is to increase the number of internal work changes between the business areas. We want to increase the Group's opportunities of

Average number of employees 2007 – 2006

Distribution by country	2007	2006	Change
USA	3,606	2,861	
France	3,079	2,781	
Sweden	2,322	2,238	
UK	2,128	2,310	
Italy	1,523	1,297	
Spain	1,519	1,350	
Germany	1,342	1,310	
Poland	1,304	1,177	
China	1,090	564	
Brazil	942	877	
Sri Lanka	706	823	
Czech Republic	670	607	
Malta	621	648	
Mexico	616	615	
Denmark	554	534	
India	464	389	
South Korea	430	274	
Norway	342	284	
Turkey	283	233	
The Netherlands	278	256	
Singapore	233	235	
Finland	145	85	
Romania	119	33	
Australia	118	87	
Lithuania	111	31	
Rest of Europe	301	208	
Rest of North and South America	135	231	
Other markets	177	168	
Total	25,158	22,506	+ 11.8%
Men	18,727	17,021	+ 10.0%
Women	6,431	5,485	+ 17.2%

Age distribution



Trelleborg has operations in approximately 40 countries. About 90 percent of the employees work outside Sweden. The average number of employees rose during the year to 25,158 (22,506), of which 26 percent (24) were women. Salaries and other benefits amounted to SEK 6,662 M (6,014). Personnel turnover (not counting terminations and retirement) vary between countries and facilities, and often reflects the local labor situation. Personnel turnover was 9.5 percent during 2007. The majority of the plants indicate a personnel turnover below 5 percent.

freeing the potential of the employees and using internal talent in the best way possible. The process is summarized by the Group holding talent review meetings with the respective business areas. The results are then presented to Trelleborg's Board.

The objective is to have a degree of internal recruitment of 75 percent for the four highest levels of management. This figure currently varies from business area to business area, but is around 65 percent in total.

Performance reviews

In the performance reviews in Trelleborg, focus is placed on setting goals that are then followed up. Achievements and career goals are discussed, and individual development plans are prepared.

The objective is to offer all salaried employees documented career development talks in 2010.

Assessment center

Twenty managers from the four top levels of management were invited to participate in an assessment center, held by external consultants. The managers were interviewed, underwent personality analyses and conducted various exercises. The results were summarized in development plans, which established how to best plan for the managers' future. These processes will continue during 2008.

Training and development

In 2007, the Group introduced a new obligatory development program for senior executives called the Senior Executive Program (SEP). In total, 45 executives (43 men and 2 women) participated in the program in 2007, and in 2008 another three programs with 50 new participants will be carried out. The ambition is to develop the ability to think strategically and to implement chosen measures.

The Trelleborg International Management Program (TIMP) is a well-established training program for middle managers in Trelleborg. The program was revised for 2008. The objective is for participants to receive an insight into all general managerial duties, such as strategy, finance, marketing, operations, leadership and personnel issues. During 2007, 40 managers (32 men and 8 women) participated in the program.

A customized Trelleborg training course in project management was also introduced in 2007. Thus far, 29 managers (22 men and 7 women) have taken the course, which will also be offered in 2008.

Job Market

Job Market is a web-based tool, where all available positions are advertised on Trelleborg's intranet. In 2007, 275 positions were advertised on Job Market. The tool is a part of efforts to increase dynamics in the form of internal recruitment and work rotation within the Group.

Employee training

The number of training hours per employee at the Group's production plants was 15.2 hours (13.7) on average in 2007.

Salary and rewards

An important factor to ensure the Group's long-term success is to have a system of rewards that takes the employees' performance into account. The scope of this is outlined in the global and Group-wide Compensation and Benefits Policy. The basis of the policy is that the compensation structure is based on a systematic evaluation system for work content and performance.

Values and leadership profile

Trelleborg's four fundamental values – customer focus, performance, innovation and responsibility – constitute continuity in our activities to develop managers and employees. In 2007, the company renewed efforts to integrate the values in each of the Group's plants. The endeavor was supported with recently prepared presentations and printed materials.

The values, together with our defined leadership profile, provide guidance in the daily work, and also provide support in the recruitment, promotion and evaluation of managers in the Group.

Training for all employees in Trelleborg's Code of Conduct

Vigorous efforts commenced in 2007 in training all of the Group's employees in the content of the company's responsibility with regard to the environment, health and safety, ethics and social issues. The brochure containing Trelleborg's Code of Conduct, as well as presentations and other work material, were developed in 27 languages.

"We really want everyone in the company to be able to understand and learn our fundamental rules," says Sören Andersson, Senior Vice President, Human Resources.

For everyone with computer access, a special web-based training program was prepared, which contains various scenarios with a dilemma on which the employee is forced to adopt a position, and a concluding test. At year-end, more than 5,000 employees had undergone the training program.

"The issues were challenging, but it was enjoyable at the same time. I am now familiar with the Code of Conduct," says Eleanor Castillo, Fentek Middle East, a Trelleborg company in the United Arab Emirates. In 2008, Trelleborg employees without access to a computer will undergo similar training, but in a traditional classroom environment.



Responsibility to **customers** and **suppliers**

Competition

During the year, the US Department of Justice and competition authorities in the EU commenced investigations of a suspected cartel concerning certain types of marine hoses for oil transport. Competition authorities in Japan and the UK also began investigations. The investigations covered multiple international companies, including one of Trelleborg's French subsidiaries, Trelleborg Industrie SAS. The two senior executives plead guilty in November 2007 and rulings in their cases were declared in December 2007. In accordance with Group policy, their employment was terminated and they have left the company.

Since August 2005, one of Trelleborg's subsidiaries in the US has been subject to investigation by the US Department of Justice with regard to a cartel for certain types of marine fender systems. The former President of the company has admitted his complicity in criminal cartel activities. In accordance with Group policy, his employment was terminated and he has left the company.

Trelleborg has consistently assisted authorities in the US and the EU in their investigations, and views crimes against competition law very seriously.

The Group has clear and well-communicated rules to observe current competition regulations, which have been strongly reinforced (see box below) in order to further increase knowledge of current competition law rules and strengthen the Group's internal processes and control systems.

Suppliers

Most of the Group's units examine the environmental/sustainability performance of suppliers, usually through surveys. Trelleborg's objective is to only work with suppliers in the future that support our quality requirements and business principles, and to include requirements with respect to compliance to our extended Code of Conduct in all supplier contracts. Training of all Trelleborg purchasing managers in this area is planned for the first half of 2008.

The ensuing audit of suppliers in terms of Trelleborg's Code of Conduct is planned so as to prioritize the clearest risks first. Examples of such risks are chemicals, finished products and components from medium and high-risk countries, as well as natural rubber. Supplier audits will take place with the aid of self-evaluations and visits.

In 2007, the relationships with two suppliers in Turkey were discontinued due to their not holding requisite environmental licenses.

Transports

More than 90 percent of Trelleborg's raw goods and finished products are transported by truck. The Group engages transport companies that

can take care of the freight in an effective and safe manner. The most significant environmental impact of the transports is the emission of carbon dioxide due to the use of fossil fuels.

Starting in Sweden, Trelleborg is participating through Trelleborg Industri AB in the cooperative project Forum for Sustainable Transports, in which the players work to establish transports on the company's sustainability agenda. The objective is to provide buyers of heavy road transports a tool for more sustainable transports based on five grounds for assessment: finance, transport requirements, the environment, safety and degree of effectiveness. The basic idea behind the tool is that purchases of heavy transports must be viewed as a part of corporate responsibility. The project is cross-industry and was launched in 2006 by the Swedish Road Administration, Trelleborg Industri AB, Perstorp AB, Stena Gotthard and Strålfors. Preem Petroleum AB and Södra Skogsägarna have joined since. An initial version of the tool is to be launched in 2008.

Products

Trelleborg's commitment with regard to product liability is generally governed by the Group's Code of Conduct and the Environment, Health and Safety Policy. When developing new products, consideration is always taken to legal and customer requirements, environmental, health and safety aspects in the manufacturing phase as well as the use phase where relevant. Development work is usually conducted in close cooperation with the customer.

Trelleborg provides product information in the form of labeling, safety data sheets, IMDS declarations and environmental declarations that meet the requirements set by the respective customer or market. Many customers have specific requirements with regard to the products' environmental characteristics and input parts, such as the automotive and construction industries. Industry or customer-specific limitation lists also exist for chemicals.

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

Action program in the area of competition

Trelleborg's Code of Conduct and training in the Code for all employees contain separate sections about competition issues. The Group also has a specific program on competition issues (the Trelleborg Competition Law Compliance Program) which covers the communication of the Group's clearly formulated policies, training, e-learning on the intranet and a newsletter. The company also has a whistle-blower policy in place, which can be used by all employees upon suspicion of impropriety.

Due to events that occurred in 2007 (see above), the Board and the management approved a strengthened action program which was commenced during the year. The Group's General Counsel was appointed as Compliance Officer, responsible for implementing, supporting and developing this strengthened action program.

The program, which is followed up and reported back to the Board, includes a review of agreements in particularly vulnerable environments, legal reviews of the

subsidiaries and a review of trade organizations. In addition to this, the program focuses on ensuring that everyone in the organization understands how competition law works, what is legal/illegal and that cartel behavior is entirely unacceptable in the Trelleborg Group.

- An in-depth presentation of this program for the Group's senior executives (about 150) took place at a management conference in June 2007.
- All relevant employees shall also confirm in writing that they have read and understood the company's policy.
- All managers must participate in competition seminars and individual certificates will be issued. To date (February 2008), more than 30 full-day seminars and the training of 670 managers in the primary target group have been held.
- All new managers must participate within six months of employment.

Responsibility to **society** and the **community**

Social commitment

Trelleborg participates in numerous social activities, which are often based locally and involve cooperation with neighbors, interest groups, authorities and sports clubs. In the case of sports clubs, there are many examples of how the company supports youth work.

Within the education area, Trelleborg cooperates with several universities and schools, which involves regular contact with researchers and students. Trelleborg's cooperative partners include Université de Nantes, France, Fachhochschule Koblenz, Germany, LUISS in Rome, Italy, Western Michigan University, in the US, Malta University, Malta, the University of Derby and Trent Technical College, in the UK, and the International Institute for Industrial Environmental Economics and Chalmers University of Technology, in Sweden. Over the years, a large amount of research and many degree projects have been performed at Trelleborg's plants with specializations in such areas as the environment.

In addition, Trelleborg has a so-called learning partnership with Lund University School of Economics and Management, involving the sponsorship of two postgraduate appointments. Trelleborg prioritizes such sponsorship that is beneficial to society and the Group's operating environment and that supports our values and strengthens our relations with customers and other partners. Cooperation extending over a number of years with Save the Children was initiated in 2006. This comprises yearly support for the charity organization and forms part of Trelleborg's ambition to assume an increased global social responsibility by contributing to children's development and education.

Communication

One of the central communication goals is to contribute to Trelleborg acting as a good and responsible corporate citizen and, in line with this, mediate a relevant image of operations in this regard.

Trelleborg's communication shall conform to applicable legislation, regulations and standards.

- It shall be characterized by a close relationship with the company's stakeholders and be founded on regular contact, clarity and good ethics.
- It shall be transparent and honest.
- It shall be planned and systematic.

The Group's management of crisis communication shall be reviewed in 2008.

Value creation for stakeholders

Trelleborg's business generates value that is widely distributed between various stakeholders, such as suppliers of goods and services, employees, shareholders, banks and other providers of capital, and society in the form of taxes. In 2007, a total of SEK 29,400 M was distributed across the different groups of stakeholders as per the diagram below.

Trelleborg cooperates with local communities

Support and assistance in social, environmental and health-related activities at the local level can be found at almost all of Trelleborg's production plants, which is in agreement with our Code of Conduct that states that we should contribute to a better society by supporting the local community in which we are active.

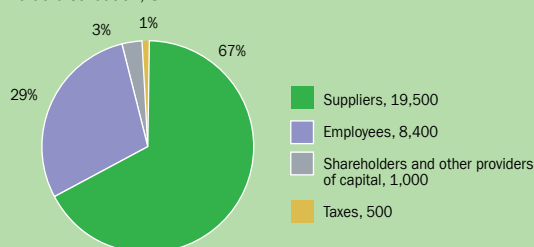
Local sports clubs (especially youth teams), scouts and other youth activities as well as collections for cancer research are among the most common sponsorship activities in which Trelleborg participates. In addition to this, Open House activities are common, where the company invites the public, neighbors or families of the employees.

A small selection of the activities from 2007 includes support for: Haley's Heroes Fundraiser Against Cystic Fibrosis (Broomfield, USA), food and toys conveyed through the Lions Club (Guarulhos, Brazil), Guelph General Hospital Teddy Bear Campaign (Guelph, Canada), the Leukemia and Lymphoma Society (Houston, USA), the Industry-5 photo project (Tauragė, Lithuania), a local preschool for disabled children and the Hradek festival (Hradek, Slovakia), the Cospicqua scouts (Hal-Far, Malta), the Yorkshire Children's Heart Surgery Fund (Knaresborough, the UK), and AECC, a Spanish organization against cancer (Cascante, Spain).

Value creation and distribution

Of the value generated by Trelleborg's business in 2007, SEK 29,400 M was distributed between various groups of stakeholders.

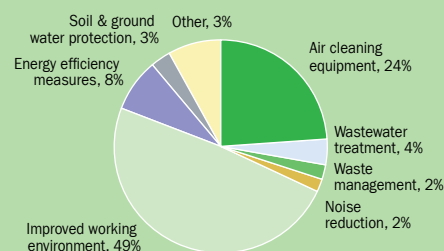
Value distribution, SEK M



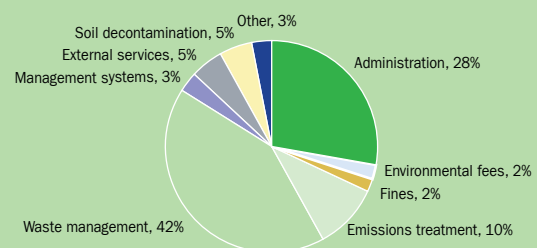
Environment and health and safety-related costs and investments

In 2007, a total of SEK 96 M (77) was invested in environmental, health and safety improvement measures. Environmental, health and safety costs amounted to SEK 133 M (114). At the same time, environmental improvement measures generated cost savings of SEK 21 M (37).

Distribution of environment, health and safety-related investments



Distribution of environment and health and safety-related expenses





PROTECT

Resources for protection against flooding, fire and other disasters are growing worldwide. Whether preventing leakage or protecting against fire, corrosive material, gases or the forces of nature, Trelleborg's polymer-based solutions play a vital role.



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Sound **governance** and **control** supports good business



Sound corporate governance is about maintaining order in the decision-making processes, clarity in the areas of responsibility and the demand for management responsibility, and transparency so that the shareholders can understand and monitor the development of the company. These are living processes that never stop developing.

During the year, the work of the Board of Directors focused considerably on structural issues. For several years, development work has been underway in Trelleborg to screen, update and coordinate reporting and control procedures for decision-making in the Group's legal and operational units. We placed particular weight on mapping and evaluating the most significant risks in the procedures in order to control such risks.

For the past two years, we have also had a specific staff function for Internal Control, which is developing in a highly satisfactory manner.

The Trelleborg Group does not report any deviations from the Swedish Code of Corporate Governance for 2007. Trelleborg has complied with the Code since its introduction three years ago. Great value lies in the establishment of the Code under a self-regulating form, whereby the Swedish business community has been able to avoid inflexible legislation. With a generally accepted and national code, we are now met with a positive response from all of our stakeholders, including foreign shareholders. Better governance and control facilitate good business and are a means of competition in the capital market, while also strengthening the position of the business community in the public eye.

A handwritten signature in blue ink, appearing to read 'Anders Narvinger'.

*Anders Narvinger
Chairman of the Board*

Corporate governance 2007

Trelleborg is a publicly traded Swedish limited company that is listed on the Stockholm Stock Exchange. Trelleborg applies the Swedish Code of Corporate Governance and presents its 2007 Corporate Governance Report in this section. Follow-up during 2007 has resulted in Trelleborg not having any deviations to report. This report has not been examined by the Company's auditors.

Shareholders

Trelleborg's Series B shares have been traded on the Stockholm Stock Exchange since 1964. Share capital in Trelleborg amounted to SEK 2,259 M, represented by 90,357,261 shares, each with a par value of SEK 25.00. Trelleborg has two classes of shares: 9,500,000 Series A shares and 80,857,261 Series B shares. Series A shares each carry ten votes and Series B shares each carry one vote. All of the Series A shares are owned by the Dunker Interests, which were created through testamentary disposition by former owner and founder of the Helsingborg and Trelleborg rubber-production plants, Henry Dunker, who died in 1962.

At the end of the year, the number of shareholders was 41,631.

Of the total number of shares, foreign shareholders accounted for approximately 26 percent (30). Institutions accounted for the majority of ownership. Of the total shares at year-end, 85 percent (84) were owned by legal entities, 15 percent (16) by private individuals, representing 92 percent (92) and 8 percent (8), respectively, of the total number of votes.

Annual General Meeting

The 2007 Annual General Meeting took place on Wednesday, April 25, 2007. At the meeting, 664 shareholders were in attendance, personally or by proxy, representing 68.8 percent of the votes. Of the ten largest shareholders at the time of the meeting, all were present except one (SEB, whose shares corresponded to 2.1 percent of the votes). One shareholder, Dunker Funds and Foundations, represented 55.5 percent of the votes on its own. 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:

- Payment of a dividend of SEK 6.00 per share for 2006 as per the Board's and President's proposal.
- Re-election of the Board members Heléne Bergquist, Staffan Bohman, Rolf Kjellman, Berthold Lindqvist, Claes Lindqvist, Anders Narvinger and Peter Nilsson.
- Re-election of Anders Narvinger as Chairman of the Board.

Nominations Committee for the 2008 Annual General Meeting

Name	Representing	Share of votes December 28, 2007
Didrik Normark	Dunker Interests	55.53%
Ramsay Brufer	Alecta	4.46%
Lars Öhrstedt	AFA Försäkring	3.80%
Henrik Didner	Didner & Gerge Mutual Funds	2.55%
KG Lindvall	Swedbank Robur Fonder AB	0.97%
Total		67.31%

Further information on corporate governance

The following information is available at www.trelleborg.com:

- The document "Overview of Trelleborg AB's application of the Swedish Code of Corporate Governance"
- In-depth information on internal steering documents, such as the Articles of Association and the Code of Conduct
- Information from Trelleborg's Annual General Meetings since 2004:
 - Notification of AGM
 - Minutes of AGM
 - President's presentations
 - Report from AGM
- Corporate Governance Reports of earlier years, since 2004



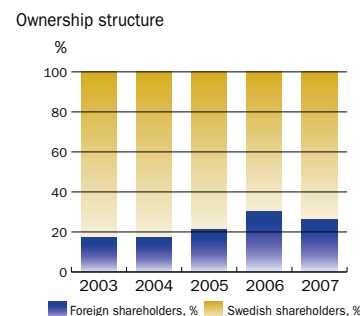
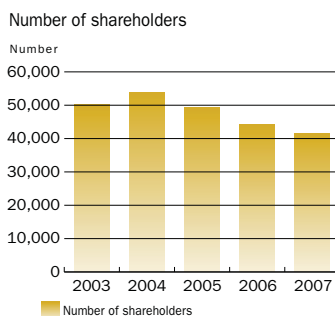
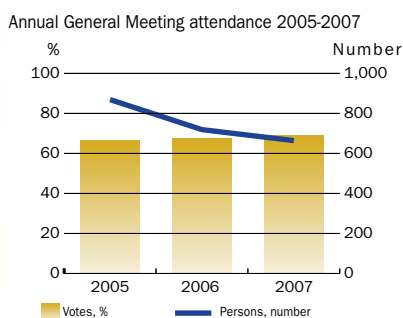
- That fees to Board members, excluding travel expenses, should be paid in the total amount of SEK 2,600,000, to be distributed as follows: SEK 900,000 to be paid to the Chairman and SEK 340,000 to be paid to each member of the Board who is not an employee of the Group, that remuneration should be paid to the Audit Committee in the amount SEK 125,000 to the Chairman of the Committee and SEK 90,000 to the other Audit Committee members, and that the auditors shall be compensated for reasonable expenses as specified by invoices based on actual time on the completion of their assignment.
- The principles for remuneration and other conditions of employment for the President and other senior executives.
- Procedures for the Nominations Committee's appointment and work.

Nominations Committee

In accordance with a resolution by the 2007 Annual General Meeting, the Chairman of the Board was assigned the task of asking five representatives of the company's major shareholders at the close of the third quarter to become members of the Nominations Committee in order to formulate proposals on Board members, the Chairman of the Board, the auditor and remuneration to Board members, Board committees and auditors to be presented to the 2008 Annual General Meeting for approval. The composition of the Nominations Committee was published on Trelleborg's website and through a press release on October 26, 2007.

The selection aim of the principal owners is that elected Board members shall possess knowledge and experience relevant to Trelleborg. The rules regarding independent Board members, as stated in the Swedish Code of Corporate Governance, are observed.

The Nominations Committee for 2008 held three meetings and a number of telephone conferences. The Nominations Committee comprised Didrik Normark, Henry and Gerda Dunker Foundation (Chairman), Ramsay Brufer, Alecta (Secretary) and the members Lars Öhrstedt, AFA Försäkring, Henrik Didner, Didner & Gerge Mutual Funds and KG Lindvall, Swedbank Robur Fonder. In addition, the Chairman of the Board, Anders Narvinger, was a member of the Nominations Committee for 2008. The Committee represented approximately 65 percent of the shareholders' votes.



As a basis for the Committee's work, information on the company's operations and strategic focus was presented by the President. In addition, the Chairman of the Board presented annual evaluations of the Board members' efforts. The Chairman of the Board also presented information on the Board's work during the year and the work of the Audit, Finance, and Remunerations Committees.

Berthold Lindqvist (elected to Trelleborg's Board in 1996) has declined re-election prior to the 2008 Annual General Meeting. The Nominations Committee nominates Sören Mellstig as a new Board member. In addition to this, the Committee proposes the re-election of the other Board members.

Sören Mellstig, born in 1951, M.Sc. (Econ), has previously held the positions of President and CEO of Gambro and Vice President of Incentive. Sören Mellstig is the chairman of the board of Aleris AB and Vatus Medical AB, as well as a member of the boards of Munters AB, Ferrosan A/S, PaloDex Oy, Dako A/S and Rindi Energi AB.

The Nominations Committee has also decided to propose that the 2008 Annual General Meeting re-elect PricewaterhouseCoopers AB as the company's auditor.

Board of Directors

All members were re-elected to the Board in 2007. All personnel representatives were also re-elected; Kim Davidsson and Karin Linsjö representing the Swedish Trade Union Confederation (LO), and Alf Fredlund and Rolf Larsson (deputy) representing the Council for Negotiation and Cooperation (PTK).

The Group's CFO, Bo Jacobsson, attends the Board meetings, as does the General Counsel, Ulf Gradén, who is the Board's secretary. Other salaried employees participate in the Board meetings to make presentations on particular matters.

Independence of the Board

The Board's assessment, which is shared by the Nominations Commit-

tee, regarding the members' position of dependence in relation to the company and the shareholders is presented in the table "Composition of the Board 2007". As evident from the table, Trelleborg meets the listing agreement's and the Swedish Code of Corporate Governance's requirement that the majority of the Board members elected by the General Meeting must be independent in relation to the company and the company management, and that at least two of these shall also be independent in relation to the company's major shareholders.

Work of the Board of Directors

During 2007, nine Board meetings were held, of which two were extraordinary meetings. The main issues were:

- No. 1/07: Year-end report and Annual Report 2006, review of Trelleborg Wheel Systems, risk and insurance review, acquisition matters, investments, property divestment. Auditors present.
- No. 2/07: Three-month interim report, review of Trelleborg Automotive, Code of Conduct, the strategy process, acquisition matters, investments, Board evaluation, management review.
- No. 3/07: Statutory meeting; meeting schedule, rules of procedure for the Board and other steering documents, authorized signatories, decision on committees.
- No. 4/07: Competition matters, strengthened competition compliance program, acquisition matters, long-term borrowing.
- No. 5/07: Competition matters.
- No. 6/07: Six-month interim report, acquisition matters, investments.
- No. 7/07: Strategic plan, action plan within Trelleborg Automotive and Trelleborg Engineered Systems, acquisition matters, investments, competition matters. Review of Trelleborg Engineered Systems. Visit to and review of Trelleborg Sealing Solutions in Helsingør, Denmark.

Composition of the Board 2007

Name	Position	Dependence	Shareholdings, amount at 31 Dec. 2007	Elected	Audit Committee	Finance Committee	Remunerations Committee
Anders Narvinger	Chairman	No	10,000	1999	Member	Member	Chairman
Heléne Bergquist	Member	No	1,500	2004	Member	Member	–
Staffan Bohman	Member	No	20,000	2000	–	–	–
Rolf Kjellman	Member	Yes*	2,000	1997	Chairman	Chairman	–
Claes Lindqvist	Member	Yes*	10,000	2004	–	–	–
Berthold Lindqvist	Member	No	2,000	1996	–	–	Member
Peter Nilsson	Member	Yes*	26,500	2006	–	–	–
Kim Davidsson	Member**						
Alf Fredlund	Member**						
Karin Linsjö	Member**						
Rolf Larsson	Deputy**						

* Rolf Kjellman and Claes Lindqvist are dependent in relation to the company's major shareholders since they both have assignments for Trelleborg's main owner, Dunker Interests. Peter Nilsson is dependent in relation to the company as a result of his position as Trelleborg's President.

** Member/deputy appointed by the employees

Board members' attendance					
Name	Position	Board meeting	Finance Committee	Audit Committee	Remunerations Committee
Anders Narvinger	Chairman	100%	100%	100%	100%
Heléne Bergquist	Member	100%	100%	100%	–
Staffan Bohman	Member	89%*	–	–	–
Rolf Kjellman	Member	100%	100%	100%	–
Claes Lindqvist	Member	100%	–	–	–
Berthold Lindqvist	Member	100%	–	–	100%
Peter Nilsson	Member	100%	–	–	–
Kim Davidsson	Member**	100%	–	–	–
Alf Fredlund	Member**	100%	–	–	–
Karin Linsjö	Member**	89%*	–	–	–
Rolf Larsson	Deputy**	100%	–	–	–

* Staffan Boman was absent from Board meeting No. 5 in June. Karin Linsjö was absent from Board meeting No. 8 in October.
– Member does not participate in the committee in question.
** Member/deputy appointed by employees

- No. 8/07: Nine-month interim report, acquisition matters and acquisition follow-up, investments, competition matters.
- No. 9/07: Follow-up of audit, forecast, acquisition matters. Auditors present.

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

Audit Committee

The Audit Committee usually meets in connection with the Board meetings and has the primary task of ensuring compliance with established principles for financial reporting and internal control and that appropriate relationships with the company's auditors are maintained in accordance with the "Instruction for the Audit Committee established by the Board of Directors of Trelleborg AB".

As of 2007, the Audit Committee is also charged with monitoring the follow-up and reporting of issues covered by Corporate Responsibility.

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 of Directors.

In 2007, the Audit Committee comprised the Board members Rolf Kjellman, who is also the Committee Chairman, Heléne Bergquist and Anders Narvinger. The Group's CFO, Bo Jacobsson, General Counsel and Secretary of the Audit Committee, Ulf Gradén and the Head of the Internal Control staff function, Michael Weichselbaumer, participate in the Audit Committee meetings, as do the company's auditors. The Audit Committee held five meetings in 2007.

Finance Committee

The Finance Committee has the primary task of supporting and monitoring financial operations, annually assessing and proposing changes to the Finance Policy, evaluating and preparing matters for decision by the Board and, after each meeting, reporting on its work at the subsequent Board meeting.

In 2007, the Finance Committee consisted of Board members Rolf Kjellman, who is also Chairman of the Finance Committee, Heléne Bergquist and Anders Narvinger. The Group's CFO, Bo Jacobsson, and General Counsel and Secretary of the Finance Committee, Ulf Gradén, participate in the meetings of the Finance Committee. The Senior Vice President, Group Finance participated when necessary. The Committee held four meetings in 2007.

Remunerations Committee

The Remunerations Committee has the primary task of representing the Board in matters concerning remuneration and terms of employment for the President and executives reporting directly to him based on the

principles for remuneration and terms of employment for the President and other senior executives as adopted by the Annual General Meeting. The Committee continuously reports its work to the Board. In 2007, the Remunerations Committee comprised the Board members Anders Narvinger, who chairs the Committee, and Berthold Lindqvist. The Remunerations Committee held four meetings in 2007 and also maintained ongoing communications in conjunction with appointments and other payroll issues.

President and Group Management

The President is responsible for leading the work conducted by Group Management and renders decisions in consultation with other members of the management team, which consists of the heads of the business areas and Group staff functions; a total of 12 persons at year-end 2007. Overseen by the President, Group Management conducts regular reviews of Group operations.

Auditor

The responsibilities of the Nominations Committee included preparing a proposal for the Annual General Meeting concerning the auditors to be elected at the meeting for a period of four years. The 2004 Annual General Meeting elected the PricewaterhouseCoopers AB firm of authorized public auditors, including Göran Tidström and Olov Karlsson, with Göran Tidström as Auditor in Charge. Göran Tidström is the Chairman of the Board of PricewaterhouseCoopers Sverige AB and EFRAG (European Financial Reporting Group) and a Board member of IFAC (International Federation of Accountants). Göran Tidström's audit assignments in addition to Trelleborg include Securitas, Telia Sonera, AB Volvo, Meda and the Royal Swedish Opera. Göran Tidström has been an Authorized Public Accountant since 1973.

Olov Karlsson has been an Authorized Public Accountant since 1980. In addition to Trelleborg, Olov Karlsson also has an audit assignment with AB Volvo.

Internal Control

During 2007, the Internal Control staff function continued to further develop and improve the operations' internal control through training and by ensuring the implementation of self-evaluations in the Group's business areas, which in some cases are supplemented with independent review by external auditors/consultants in combination with follow-ups of the Internal Control staff function. The focus of this work was placed on risks and internal control with regard to financial reporting.

Since 2005, the Internal Control staff function has continuously developed its work process, which means that as of 2008 it will also function as the Group's internal audit function that works with a combination of internal resources and resources in the form of external auditors/consultants.

Overview of governance in the Trelleborg Group

Shareholders

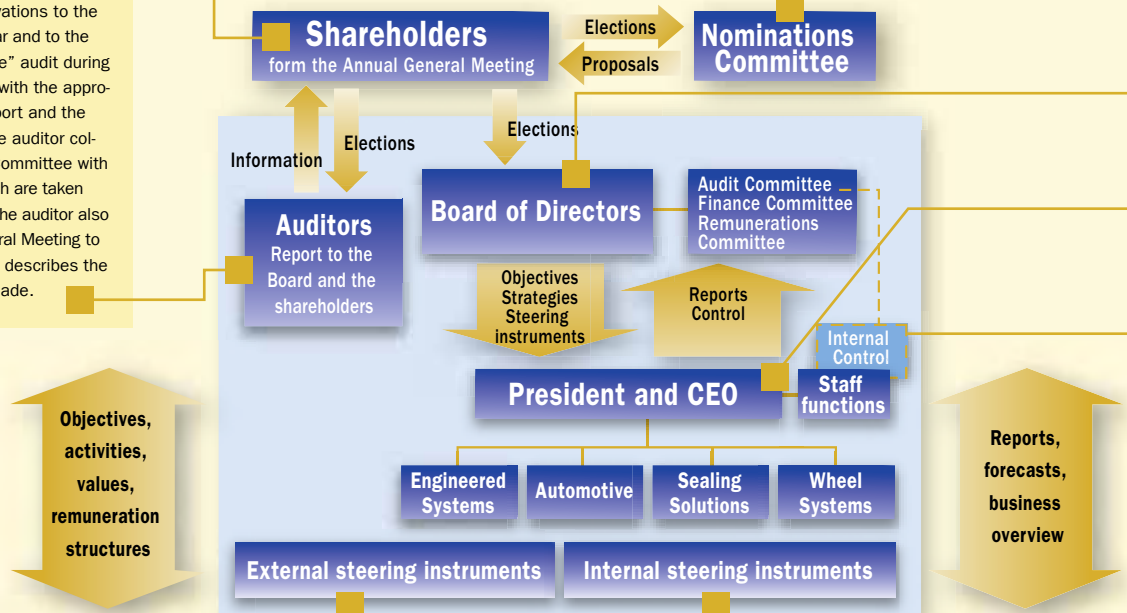
The right of shareholders to make decisions on the affairs of Trelleborg is exercised by the Annual General Meeting, or where appropriate an Extraordinary General Meeting, which is Trelleborg's highest decision-making body. The Annual General Meeting is usually held in Trelleborg, Sweden in the month of April. The Meeting adopts the Articles of Association, appoints the members and Chairman of the Board, elects the auditor, resolves on the adoption of the income statement and balance sheet, resolves on the allocation of the company's profit and the discharge from liability to the company for the Board members and the President, makes resolutions regarding the appointment of the Nominations Committee and its work, and the principles for the remuneration and employment terms for the President and other senior executives.

Auditor

Trelleborg's auditor, elected by the Annual General Meeting, audits the company's annual report and accounts as well as the Board's and the President's management. The auditor's work is based on an audit plan and he continuously reports observations to the Audit Committee during the year and to the Board both after the "hard-close" audit during the autumn and in connection with the approval of the six-month interim report and the annual report by the Board. The auditor collects opinions from the Audit Committee with regard to Trelleborg's risks, which are taken into account in the audit plan. The auditor also participates in the Annual General Meeting to present the audit report, which describes the audit work and observations made.

Nominations Committee

Trelleborg's Annual General Meeting makes resolutions regarding procedures for the appointment and work of the Nominations Committee. The 2007 Annual General Meeting made resolutions in line with those made by the 2006 Annual General Meeting. The Annual General Meeting decided that a Nominations Committee shall operate in order to prepare and present proposals to the shareholders at the Annual General Meeting regarding the election of the Chairman and other Board members and, where applicable, present proposals regarding auditors and remuneration to the Board, Board committees and the auditors. The Nominations Committee shall consist of five members, who are to be representatives of the five largest shareholders at the close of the third quarter. Accordingly, the Chairman of the Board shall, at the close of the third quarter, contact the five largest shareholders in the company, who shall be given the opportunity to appoint one member of the Nominations Committee each. In addition, the Nominations Committee may decide that the Chairman of the Board be a part of the Committee, but not be appointed its chairman. For a complete account of the resolutions of the Annual General Meeting, see the minutes from the Annual General Meeting available on our website.



External steering instruments

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

Internal steering systems

The internally binding steering instruments include the Articles of Association adopted by the Annual General Meeting and the Rules of procedure for the Board of Directors of Trelleborg AB approved by the Board, Instructions for the President of Trelleborg AB, Instructions for financial reporting to the Board of Trelleborg AB, Instructions for the Audit Committee established by the Board of Trelleborg AB, the Code of Conduct, the Communication Policy and the Treasury Policy. In addition to these steering instruments, there are a number of policies and manuals that contain binding rules, as well as recommendations, that provide guidelines and guidance for the Group's operations and employees. These include Values, Financial Manual (accounting and reporting rules), Remuneration Policy and a definition of processes and the mini-

num requirements of internal control regarding financial reporting. Complete versions of many of our steering instruments are available on Trelleborg's website.

Rules of procedure of the Board of Directors

Each year, the Board of Directors establishes a formal work plan clarifying the Board's responsibilities and regulating the internal division of duties between the Board and its committees, including the role of the Chairman, the Board's decision-making procedures, its meeting schedule, procedures governing the convening, agenda and minutes of meetings, as well as the Board's work on accounting, auditing matters and financial reporting. The work plan also governs how the Board shall receive information and documentation as the basis for its work and to be able to make well-founded decisions.

Instructions for the President

Each year, the Board of Directors also establishes written instructions for the President that clarify the President's responsibility for operational management, the form and content of reporting to the Board, requirements of internal steering documents, and issues that always require a Board decision or reporting to the Board, such as the

The Board of Directors

Composition of the Board

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

Responsibilities of the Chairman

The Chairman heads the work of the Board and is responsible for ensuring its compliance with the Swedish Companies Act, other relevant legislation and regulations, the applicable rules governing listed companies, including the Swedish Code of Corporate Governance, the Articles of Association, and the internal steering documents of the Board and its Committees. It is the responsibility of the Chairman to monitor operations, in consultation with the President, and to ensure that other Board members receive the information and documentation necessary to maintain a high level of quality in discussions and decisions. The Chairman is responsible for evaluating the Board's activities, and this evaluation is then shared with the Nominations Committee. The Chairman also participates in the deliberation of evaluation and development matters regarding the Group's senior executives. The Chairman represents the company in all ownership issues.

Responsibilities and work of the Board

The responsibilities of the Board include monitoring the work of the President through ongoing reviews of the operation over the year. The Board is also responsible for ensuring that Trelleborg's organization, management and guidelines for the administration of the company's interests are structured appropriately and that there is satisfactory internal control. In addition, the responsibilities of the Board include setting strategies and targets, establishing control instruments, deciding on major acquisitions and divestments of operations, deciding on other major investments, deciding on financial investments and loans in accordance with the Treasury Policy and issuing financial reports, as well as evaluating the management of operations and planning managerial succession.

The Board must convene at least seven times a year and otherwise as necessary.

The Board's responsibility for financial reporting

The Board oversees the quality of financial reporting in part through instructions to the President, instructions regarding financial reporting to the Board and through the Communications Policy, in part by considering reports from the Audit Committee in the form of written minutes, and in part through observations, recommendations and proposals for decisions and measures. The Board also assures the quality of financial reporting by considering interim reports, annual reports and year-end reports in detail at its meetings. The Board has delegated to corporate management the responsibility for checking financial press releases and presentation material in conjunction with meetings with the media, shareholders and financial institutions.

Evaluation of the Board's work

The Chairman is responsible for evaluating the Board's activities, and this evaluation is then shared with the Nominations Committee.

Audit Committee

The primary task of the Audit Committee is to ensure that established principles for financial reporting and internal control are adhered to. Also see page 103.

President and Group Management

The President manages operations in accordance with the Swedish Companies Act, other legislation and regulations, applicable rules for listed companies, including the Swedish Code of Corporate Governance, the Articles of Association and the parameters set by the Board, including its instructions to the President.

In consultation with the Chairman of the Board, the President prepares necessary information and documentation on the basis of which the Board can make well-founded decisions. He presents matters and motivates proposed decisions, while reporting to the Board on the development of the company.

The President is responsible for leading the work conducted by Group Management and makes decisions in consultation with other members of the management team, which consists of the heads of the business areas and Group staff functions.

Internal Control

Trelleborg established a new Internal Control staff function in 2005 that reports to the Group's CFO and the Audit Committee. This function works on developing and improving internal control regarding financial reporting in the Group, in part by proactively focusing on the internal control environment and in part by examining how internal control works. The proactive work on the internal control environment focused particularly on developing and improving processes and establishing minimum requirements for internal control with regard to financial reporting, policies with responsibility and authority, and developing training, networking and experiential exchange within the Group in the field of internal control. The efforts to examine how internal control functions included risk assessments as a basis for prioritization, development, introduction, performance monitoring and follow-up of self-evaluations in the Group's business areas, which in some cases are supplemented by independent examination by external auditors/consultants combined with a follow-up of the Internal Control staff function. The function complies with an annual plan for its work, which is approved by the Audit Committee. The Group's CFO and the Head of the Internal Control staff function report the results of the function's work to the Audit Committee in connection with its meetings.

adoption of interim reports, annual reports and year-end reports, decisions regarding major acquisitions and business divestments, decisions regarding other large investments, decisions about investments and loans in accordance with the Treasury Policy, information on guarantees above a certain level, adoption of remuneration and employment terms for the President and executives reporting directly to him.

Code of Conduct

Within the Trelleborg Group, we work to create added value for our stakeholders without compromising on our high ambitions with regard to the environment and social responsibility. In the Code of Conduct, Seven Golden Principles are established for how Trelleborg should conduct its business. The Code of Conduct also describes fundamental principles in the areas of Workplace and Environment, Marketplace, Society and Community and Corporate Governance.

The Code of Conduct applies to all employees, managers and Board members in the Trelleborg Group, in all markets, always and without exception. Trelleborg also encourages suppliers, sales representatives, consultants and other business partners to adopt the principles of both the Global Compact and Trelleborg's own Code

of Conduct. The revised Code of Conduct was adopted by the Board of Directors of Trelleborg in April 2007.

Values

Trelleborg's values – customer focus, performance, innovation and responsibility – comprise a long-term commitment that, when combined with business concepts, objectives and strategies, guides the employees in their daily activities.

Customer focus means an ambition to be the primary supplier of solutions in selected markets. All decisions are made with the customer in focus. The objective is to create added value for the customers and Trelleborg in close cooperation.

Performance involves outperforming our competitors. Performance is both about achieving results and how we do this.

Culture and attitudes within Trelleborg shall promote *Innovation*. The daily ambition is to think differently, in a new and creative manner. Innovation is an important driver of growth.

All employees have a *responsibility* for Trelleborg in its entirety and for the company's good reputation.



Remuneration to the Board and senior executives

Principles

The following principles for remuneration to senior executives in the Trelleborg Group were adopted by the 2007 Annual General Meeting. For the Board's motion to the 2008 Annual General Meeting regarding principles for remuneration, see note 3, page 64.

The principles are the same as those adopted by the 2006 Annual General Meeting, but with the difference that the 2007 Annual General Meeting raised the percentage level for the pension premium from 35 percent to 40 percent of the fixed salary for the President and from 25 to 30 percent for other senior executives.

Trelleborg's principles for remuneration to senior executives entail that the company shall offer market-based terms of employment that enable the company to recruit, develop and retain senior executives. The remuneration structure shall comprise 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 shall be able to vary depending on local conditions. Also see www.trelleborg.com, Corporate Governance, Annual General Meeting: "Principles for remuneration and other conditions of employment for senior executives."

Remuneration 2007

President

During 2007, the President, who is also Chief Executive Officer, received a fixed salary, variable salary and other compensation as shown in the table below. The variable salary has an established upper limit, maximum SEK 3.3 M for full-year 2007, which corresponds to 60 percent of fixed salary. The total variable salary is based 100-percent on the Trelleborg Group's profit before tax, excluding the effect of structural changes approved by the Board. The variable salary does not constitute pensionable income.

The President has a pension agreement that entitles him to retire at the age of 65. However, under the terms of the pension agreement, both the company and the President have the right, without special justifica-

tion, to request early retirement from the age of 60, with a mutual six-month notice of termination. The employment agreement and pension agreement shall be rendered invalid from the effective date of the President's possible early retirement. The pension agreement is solely premium-based, and the premium is computed as 40 percent of the fixed annual salary. Pension premiums were expensed in 2007 as shown in the table below.

The President's employment contract stipulates that termination of employment by the company shall be subject to a period of notice of 24 months. This clause does not apply if termination is initiated by the President. The period of notice from the President is six months.

Other senior executives

The principles for compensating other senior executives are based on both a fixed and variable salary. The variable part has an established upper limit and accounts for about 25-60 percent of fixed annual salary, based mainly on the earnings trend for the Group.

Some of the executives have agreements specifying mutual rights to request early retirement from the age of 60. In this case, compensation normally amounting to 60 percent of fixed annual salary is paid until the age of 65, when the regular retirement pension payments become effective. As of January 1, 2007, benefit-defined plans were replaced by defined-contribution plans, whereby the pension premium is calculated at 30 percent of fixed annual salary.

For other senior executives, extended notice of termination periods apply when initiated by the company – normally 12, 18 or 24 months – which do not apply when initiated by the individual. For the President and other senior executives, there is an opportunity to have a company car as a benefit.

Incentive program

The Board of Directors resolved in 2005 to introduce a long-term incentive program for the President and other senior executives that hold a significant influence on the Trelleborg Group's earnings per share. The Board of Directors also resolved to introduce a similar program in 2006 and 2007. Both programs are ongoing three-year programs for

Remuneration to Group Management 2007

SEK 000s Position	Year	Fixed salary	Variable salary	Bonus due for 2006	Incentive program	Pension	Benefits	Total
President	2007	5,937	3,300	1,275	825	2,185	100	13,622
	2006	5,134	1,280			1,682	114	8,210
Executive Vice President (1) (2 up to and including Sept 30)	2007	3,101	1,324		312	1,850	115	6,702
	2006	6,666	763			2,300	465	10,194
Group Management, others (11)	2007	25,599	8,533		2,286	9,540	623	46,581
	2006	25,068	5,397			5,770	948	37,183
Total	2007	34,637	13,157	1,275	3,423	13,575	838	66,905
Total	2006	36,868	7,440			9,752	1,527	55,587

which the Board will, on a yearly basis, possibly approve new programs and define their scope, objective and number of participants.

The programs are cash-based and constitute a supplement to the annual variable salaries, provided the executive is employed by the Trelleborg Group as per December 31 in the year to which the program applies.

Purpose

The incentive program is directed at the President and certain senior executives and includes long-term content that aims to continue to promote the commitment of senior executives to the Group's development, thereby increasing the value for the Group's shareholders.

Target figures

The target value 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 costs for the programs.

For 2005, the Board established a goal of SEK 12.40 in earnings per share. Payments to senior executives for the 2005 program have an upper cap, corresponding to 16.7 percent of the maximum annual variable salary per year.

For 2006, the Board established a target of SEK 14.10 in earnings per share and in 2007, a target of SEK 11.90 with the upper cap for payments to senior executives in both programs set at 25 percent of the maximum annual variable salary 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 2005, accordingly, payment will be made in the first quarter of 2008, and for the program approved in 2006, payments will be made in the first quarter of 2009, and for the program approved in 2007, payments will be made in the first quarter of 2010. The payments do not constitute pensionable income. In 2007, earnings were charged with SEK 9,964,000 (-).

Other incentive programs

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

Remuneration to the Board 2007

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 Nominations Committee.

For 2007, remuneration was paid as per the table below. No remuneration is paid to members of the Remunerations Committee and 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.

Remuneration to auditors

Remuneration for services in addition to auditing services primarily refers to tax consultations and corporate acquisitions. For 2007, remuneration was paid as per the table below.

Remuneration to auditors 2007			
SEK M	2007	2006	2005
Remuneration for auditing services	35	30	26
Remuneration for other services	12	14	6
Total	47	44	32

Remuneration to the Board (SEK) for the period May 2007 – April 2008

Remuneration is not paid to members of the Remunerations or Finance Committees. No consulting fees have been paid to Board members.

SEK 000s Name	Position	Board fees		Remuneration for Committee work		Total	
		2007	2006	2007	2006	2007	2006
Anders Narvinger	Chairman	900,000	800,000	90,000	75,000	990,000	875,000
Heléne Bergquist	Member	340,000	300,000	90,000	75,000	430,000	375,000
Staffan Bohman	Member	340,000	300,000			340,000	300,000
Rolf Kjellman	Member	340,000	300,000	125,000	125,000	465,000	425,000
Claes Lindqvist	Member	340,000	300,000			340,000	300,000
Berthold Lindqvist	Member	340,000	300,000			340,000	300,000
Peter Nilsson	President	-	-	-	-	-	-
Total		2,600,000	2,300,000	305,000	275,000	2,905,000	2,575,000

Report by the Board of Directors on **Internal Control**

The responsibility of the Board of Directors and the President for internal control is regulated in the Swedish Companies Act. The Board's responsibility is also regulated in the Swedish Code of Corporate Governance, which also includes requirements on annual external information disclosure concerning how internal control is organized insofar as it affects financial reporting.

Internal control

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 appropriate and effective business activities, reliable financial reporting and compliance with applicable legislation and regulations. The process is based on a control environment that creates discipline and structure for the other four components of the process, namely, risk assessment, control structures, information and communication, and monitoring. The starting point for the process is the framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The control environment includes the values and ethics upon which the Board, the Audit Committee, the President and Group Management bases their communication and actions, as well as the Group's organizational structure, leadership, decision routes, authorizations, responsibilities and the expertise of the employees. An overview of the Group's organization and governance, including external and internal steering instruments that are important elements of Trelleborg's control environment, are outlined on pages 12-15 and 104-105. Trelleborg's values constitute a long-term commitment, which combined with business concepts, targets and strategies, guides the employees in their daily work. Trelleborg's Code of Conduct comprises principles for how business should be conducted. Trelleborg is characterized by a decentralized organization that is managed based on target-oriented leadership with clear targets and rewards based on performance.

The first component of Trelleborg's process for internal control, risk assessment, is described on pages 40-43.

The second component, control structures, relates to the controls that have been chosen to manage the Group's risks. Examples of various types of control strategies that are applied in the Group can also be viewed on pages 40-43.

The third component of Trelleborg's process for internal control, information and communication, pertains to both internal and external information and communication. Internal communication begins by creating awareness among the Group's employees regarding external and internal steering instruments, including responsibilities and authority. Important tools to achieve this include Trelleborg's intranet and training of the Group's employees, which in 2007, has focused heavily on training in the application of the Group's Code of Conduct and competition regulations. For further information, see pages 95-96. Internal communication also requires that the information generated by Trelleborg's process for internal control is fed back to Trelleborg's Board, Audit Committee, President and Group Management as a basis for them being able to make well-founded decisions. In 2007, Trelleborg introduced a process in which the Group's employees verify their compliance with the Group's policies. Trelleborg also has a Whistle-blower Policy entitling every employee, without fear of repercussions, to report suspected infringements of laws or regulations.

The Group's CFO and the head of the Internal Control staff submit reports to the Audit Committee, which in turn, reports to the Board.

External communication consists, for example, of reporting to authorities and external financial reporting.

The fourth component, follow-up, aims to secure the effectiveness of the process through a number of different activities, such as follow up of the operation in relation to established goals, self-evaluations, audits and other follow-up activities.

Internal control over financial reporting

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

The following description has been prepared in accordance with the Swedish Code of Corporate Governance and current application regulations, and constitutes the Board of Director's report on internal control over the financial reporting.

This report on internal control over the financial reporting has not been audited by the company's auditors.

Control environment

The Board of Director's bears the overall responsibility for internal control relating to financial reporting. The Board has established a written formal work plan that clarifies the Board's responsibilities and regulates the Board's and its committees' internal distribution of work. Furthermore, the Board has appointed an Audit Committee, the primary task of which is to ensure that established principles for financial reporting and internal control are adhered to and that appropriate relations are maintained with the company's auditors. The Board has also established Priority areas 2007 the Board of Trelleborg. The responsibility for maintaining an effective control environment and the ongoing work on internal control as regards the financial reporting is delegated to the President. The Group's Internal Control staff function reports to the Audit Committee and Trelleborg's CFO, and comprises a support function in work on internal control over financial reporting within the Group's companies and business areas.

Internal steering instruments for financial reporting primarily comprise the Group's Treasury Policy, Communications Policy and

Priority areas 2007

The Internal Control staff function comprises a supportive function in the work on proactively and continuously developing and improving Trelleborg's process for internal control. The focus of the function's work was on risks and internal control over financial reporting, but also included non-financial risks and the related internal control. Focus areas of 2007 were:

- Clarifying the business areas' responsibility for local processes.
- Self-evaluation in the Group's subsidiaries and business areas, which in some cases is supplemented by independent examination by external auditors/consultants.
- Follow-ups of the Internal Control staff function.
- Training and networks.

Finance Manual, which define the accounting and reporting rules, and the Group's definition of processes and minimum requirements for internal control over financial reporting. The minimum requirements for internal control over financial reporting pertain to a number of defined business processes and include approximately 300 requirements.

Risk assessment

Trelleborg's risk assessment regarding financial reporting, meaning the identification and valuation of the most significant risks concerning financial reporting in the Group's companies, business areas and processes, constitutes the basis for how these processes shall be managed. Risk management can be accomplished by the risks being accepted, reduced or eliminated, with requirements on controls and control levels within the limits established by the Board, the Audit Committee, the President and Group Management.

The risk assessment regarding financial reporting is updated annually under the direction of the Internal Control staff function and Internal Audit, and the results are reported to the Audit Committee.

Control structures

The significant risks identified with regard to financial reporting are managed through control structures in the companies, business areas and processes that aim to ensure that fundamental requirements of the external financial reporting are met. The control structures are based on the Group's minimum requirements for internal control with regard to financial reporting and consist of both general and detailed controls and can be both preventative and exploratory in nature. The control structures in the business areas and processes are documented in process and internal control descriptions.

Information and Communication

Information and communication regarding internal steering instruments for financial reporting are provided on Trelleborg's intranet, which is available to all employees concerned. In 2007, the Internal Control staff function drafted a training program that will be carried out in 2008. The aim of this program is to increase knowledge about

internal control throughout the Group and to show how effective processes combined with well-conceived internal control can be built using systematic support. Another objective of the training is to stimulate networking and the exchange of experiences with regard to these issues throughout the Group.

Trelleborg's CFO and the Head of the Internal Control staff function have reported the results of their work on internal control over financial reporting 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.

Follow-up

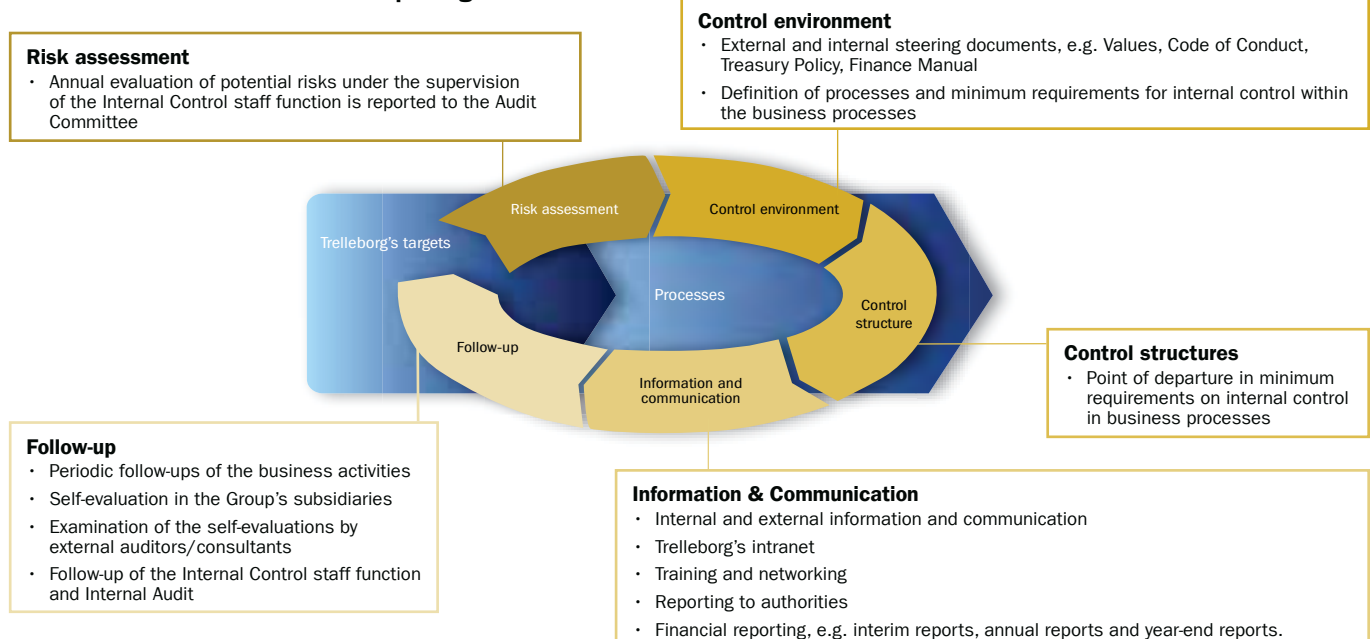
Follow-up to ensure the effectiveness of internal control over financial reporting is conducted by the Board, the Audit Committee, the President, Group Management, the Internal Control staff function and by the Group's companies and business areas. Follow-up takes place both informally and formally and includes the follow-up of monthly financial reports on budgets and targets as well as quarterly reports on results from self-evaluations, which in certain cases are supplemented by independent examination by external auditors/consultants, and follow-ups by the Internal Control staff function. The self-evaluations cover about one hundred subsidiaries, but with less extensive demands for the approximately sixty small subsidiaries.

Trelleborg has developed and introduced a Group-wide reporting system for work on internal control over financial reporting. Quarterly reporting provides a consolidated view of compliance of Group subsidiaries with the minimum requirements of internal control as regards financial reporting for identified significant risks and also provides information regarding the status of the subsidiaries' efforts.

Trelleborg, February 14, 2008

The Board of Directors of Trelleborg

Internal control over the financial reporting



ANDERS NARVINGER



CLAES LINDQVIST



BERTHOLD LINDQVIST



HELÉNE BERGQUIST



ROLF KJELLMAN



PETER NILSSON



STAFFAN BOHMAN



ROLF LARSSON



ALF FREDLUND



KARIN LINSJÖ



KIM DAVIDSSON



Members elected by Annual General Meeting

ANDERS NARVINGER
Chairman of the Board

Director-General of the Association of the Swedish Engineering Industries.

Chairman of Alfa Laval AB, V&S AB (Vin & Sprit), Swedish Trade Council and Invest in Sweden Agency. Board member of Volvo Car Corporation.

Qualifications: M.Sc. Eng. Graduate in business administration. Has previously held a number of positions in the ABB Group, including President and Chief Executive Officer of ABB Sweden.

Holdings 2007: 10,000 shares.

Holdings 2006: 10,000 shares.

Born: 1948. Elected to Board: 1999.

PETER NILSSON
President and CEO

Qualifications: M.Sc.Eng.

Previous positions include Business Area President, Trelleborg Engineered Systems, management consultant at BSI.

Holdings 2007: 26,500 shares.

Holdings 2006: 26,500 shares.

Born: 1966. Elected to Board: 2006

HELÉNE BERGQUIST
Board member

Management Consultant

Qualifications: Graduate in business administration.

Previously Senior Vice President, Group Controller, AB Electrolux. Authorized Public Accountant, partner and member of the Board of PricewaterhouseCoopers in Sweden and Chairman of the educational committee of FAR (the Institute for the Accounting Profession in Sweden) and Board member of the Swedish Financial Accounting Standards Council.

Holdings 2007: 1,500 shares

Holdings 2006: 1,500 shares.

Born: 1958. Elected to the Board: 2004.

STAFFAN BOHMAN
Board member

Vice Chairman of EDB Business Partner ASA, Oslo, Swedfund AB and the Institute of International Business at the Stockholm School of Economics.

Board member of Atlas Copco AB, Boliden AB, Inter IKEA Holding SA, Ratos, Scania, among others.

Qualifications: Stockholm School of Economics and the Stanford Business School, US.

Previously Chief Executive Officer of DeLaval, Gränges and SAPA.

Holdings 2007: 20,000 shares.

Holdings 2006: 12,000 shares.

Born: 1949. Elected to Board: 2000.

ROLF KJELLMAN
Board member

President of Henry Dunkers Förvaltnings AB.

Executive Member of Henry and Gerda Dunker Foundation and Donation Fund No. 2.

Qualifications: Commercial Secondary School and Advanced Banking Training.

Previously Regional General Manager, SEB in Malmö and the province of Skåne.

Holdings 2007: 2,000 shares.

Holdings 2006: 2,000 shares.

Born: 1939. Elected to Board: 1997.

BERTHOLD LINDQVIST
Board member

Chairman of Munters AB. Board member of Securitas AB, JM AB, Cardo AB, and other companies.

Qualifications: Med. Dr. hc., Graduate engineer.

Previously positions include President and Chief Executive Officer of Gambro.

Holdings 2007: 2,000 shares.

Holdings 2006: 2,000 shares

Born: 1938. Elected to Board: 1996.

CLAES LINDQVIST
Board member

President and CEO of Öresundskraft AB.

Board member of Dunkers Funds and Foundations, Southern Swedish Chamber of Commerce and Industry, SIMI, Scandinavian International Management Institute, Novotek AB, Connect Skåne, among others.

Qualifications: Graduate in business administration, M.Sc.Eng. Previous positions include a variety of senior positions at ASEA and Åkertlund & Rausing, and President and Chief Executive Officer of Höganäs AB.

Holdings 2007: 10,000 shares.

Holdings 2006: 10,000 shares.

Born: 1950. Elected to Board: 2004.

Members appointed by employees

KIM DAVIDSSON
Employee representative

Engineering employee, appointed by the Unions of the Trelleborg Group (LO).

Chairman of the Industrial Labor Union appointed by the executive committee and Chairman of the Trelleborg European Work Council

Qualifications: Tool maker, training in labor law, personnel policy and economics.

Holdings 2007: -

Holdings 2006: -

Born: 1947. Elected to Board: 1994.

ALF FREDLUND
Employee representative

Engineer, appointed by the Unions of the Trelleborg Group (PTK).

Chairman, local union section Unionen (Swedish Union of Clerical and Technical Employees in Industry) at Trelleborg AB.

Qualifications: Engineer.

Holdings 2007: 2,710 shares (own and family members').

Holdings 2006: 2,710 shares (own and family members').

Born: 1946. Elected to Board: 2001.

KARIN LINSJÖ
Employee representative

Appointed by the Unions of the Trelleborg Group (LO).

Board member of the Social Services Board, Municipality of Trelleborg.

Qualifications: Elementary school and plant training.

Holdings 2007: 167 shares.

Holdings 2006: 167 shares.

Born: 1954. Elected to Board: 2000.

ROLF LARSSON
Deputy employee representative

Salaried employee, appointed by the Unions of the Trelleborg Group (PTK).

Qualifications: IT and business development studies.

Holdings 2007: -

Holdings 2006: -

Born: 1942. Elected to Board: 2002.

Auditors: PricewaterhouseCoopers AB

GÖRAN TIDSTRÖM
Authorized Public Accountant, Auditor in Charge

Auditor in the Trelleborg Group since 2004. Partner of Öhrlings PricewaterhouseCoopers since 1976.

Qualifications: Graduate in business administration, Authorized public accountant since 1973.

Assignments: Auditor of Securitas, Telia Sonera, AB Volvo, Meda and the Royal Opera. Chairman of the Board of EFRAG (European Financial Reporting Group) and Board member of IFAC (International Federation of Accountants).

Born: 1946.

OLOV KARLSSON
Authorized Public Accountant

Auditor since 2004.

Partner of Öhrlings PricewaterhouseCoopers since 1987.

Qualifications: Economist program Umeå University, Authorized public accountant since 1980.

Assignments: Auditor of AB Volvo.

Born: 1949.

Berthold Lindqvist has declined re-election prior to the 2008 Annual General Meeting.

The Nominations Committee, consisting of the Chairman of the Board and representatives from the major shareholders that hold approximately 65 percent of the votes in Trelleborg, has decided to propose that the Annual General Meeting elect **Sören Mellstig** as a new Board member.

GÖRAN TIDSTRÖM**OLOV KARLSSON**

LENNART JOHANSSON



PETER SUTER



PETER NILSSON



MAURIZIO VISCHI



SÖREN ANDERSSON



BO JACOBSSON



CLAUS BARSØE



VIKTORIA BERGMAN



ROGER JOHANSSON



ULF GRADÉN


PETER NILSSON
President and CEO

Qualifications: M.Sc.Eng.
 Previous positions include Business Area President, Trelleborg Engineered Systems, management consultant at BSI.
 Holdings 2007: 26,500 shares.
 Holdings 2006: 26,500 shares
 Born: 1966. Employed: 1995, in current position since 2005.

BO JACOBSSON
Chief Financial Officer (CFO) and Executive Vice President, Trelleborg AB

Qualifications: University studies in business administration.
 Previously held positions including CEO of the Scancem Group and CFO of Telia AB.
 Holdings 2007: 5,000 shares (own and family members').
 Holdings 2006: 5,000 shares (own and family members').
 Born: 1951. Employed: 1975-1997, CFO since 2002 and Executive Vice President since 2005.

LENNART JOHANSSON
Business Area President, Trelleborg Engineered Systems

Qualifications: M.Sc.Eng.
 Previously President of Kemira Kemi, business unit manager at Kemira OY and Perstorp AB.
 Holdings 2007: -
 Holdings 2006: -
 Born: 1960. Employed: 2005, in current position since 2005.

ROGER JOHANSSON
Business Area President, Trelleborg Automotive

Qualifications: Master of Business and Economic science.
 Previously held positions including Vice President General Motors Powertrain Europe, Vice President General Motors Purchasing Europe
 Holdings 2007: 5,000 shares.
 Holdings 2006: -
 Born: 1965. Employed: 2007.

CLAUS BARSØE
Business Area President, Trelleborg Sealing Solutions

Qualifications: B.Sc. Econ.
 Previously held positions including market director Alfa Laval and various positions within Busak+Shamban and Polymer Sealing Solutions.
 Holdings 2007: -
 Holdings 2006: -
 Born: 1949. Employed: 2003, in current position since 2003.

MAURIZIO VISCHI
Business Area President, Trelleborg Wheel Systems

Qualifications: MBA.
 Previously held management positions within Pirelli.
 Holdings 2007: -
 Holdings 2006: -
 Born: 1955. Employed: 1999, in current position since 2001.

PETER SUTER
Senior Vice President, Procurement and Strategic Projects

Qualifications: MBA.
 Member of ETRMA (European Tyre and Rubber Manufacturers Association).
 Previously President of JD Stenqvist and Finess International and Business Area President, Trelleborg Building Systems.
 Holdings 2007: 8,085 shares.
 Holdings 2006: 8,085 shares
 Born: 1943. Employed 1991, in current position since 2007.

PETER SVENBURG
Senior Vice President, IT

Qualifications: Bachelor of Law
 Previously held positions including CIO at Scancem/ HeidelbergCement
 Holdings 2007: 107 shares
 Holdings 2006: -
 Born: 1949. Employed: 2006, in current position since 2006.

CLAES JÖRWALL
Senior Vice President, Taxes and Group Structures

Qualifications: Graduate in business administration.
 Previously held positions including department manager at the Swedish National Tax Board.
 Holdings 2007: 273 shares.
 Holdings 2006: 273 shares
 Born: 1953. Employed: 1988, in current position since 1988.

ULF GRADÉN
Senior Vice President, General Counsel and Secretary

Qualifications: Master of Law. Reporting clerk, court of appeal.
 Previously held positions including corporate legal counsel at Mölnlycke and General Counsel at PLM/ Rexam.
 Holdings 2007: -
 Holdings 2006: -
 Born: 1954. Employed: 2001, in current position since 2001.

SÖREN ANDERSSON
Senior Vice President, Human Resources

Qualifications: University studies in economics, sociology and education.
 Board member of the Industry and Chemistry organization.
 Previously held several HR positions within SCA.
 Holdings 2007: 2,000 shares.
 Holdings 2006: 2,000 shares.
 Born: 1956. Employed: 1998, in current position since 1998.

VIKTORIA BERGMAN
Senior Vice President, Corporate Communications

Qualifications: Studies in marketing, communications and PR.
 Previously held positions including Falcon Bryggerier and Vice President, Corporate Communications at Trelleborg.
 Holdings 2007: 500 shares (own and family members').
 Holdings 2006: 500 shares (own and family members').
 Born: 1965. Employed: 2002, in current position since 2005.

PETER SVENBURG



CLAES JÖRWALL



The Annual General Meeting of Trelleborg AB (publ) will be held on Monday, April 28, 2008, at 5:00 p.m. in Söderslätts hallen in Trelleborg, Sweden.

Program

3:00 p.m.	Registration and light refreshments
4:00 p.m.	Meeting hall opens
5:00 p.m.	AGM commences

Notification

Shareholders who wish to participate and vote in the Meeting must be entered in the share register maintained by VPC AB by Tuesday, April 22, 2008, at the latest, and notify the company of their intention to participate – possibly with assistant – not later than 3:00 p.m. the same day.

Shareholders whose shares have been registered in the name of a trustee, must have temporarily re-registered the shares in their own name not later than April 22. Such registration should be requested of the trustee a couple of working days in advance of this date.

Notification of participation in the Annual General Meeting should be sent to:

- Trelleborg AB, Legal Department, Box 153, SE-231 22 Trelleborg
- by e-mail to: anmalan.stamma@trelleborg.com
- by fax to: +46 (0) 410-175 89
- by telephone to: +46 (0) 410-670 31, or 670 04 or 670 00
- via our website: www.trelleborg.com

The notification should state the shareholder's full name, personal identity number and telephone number. If participation is supported by power of attorney, the power of attorney and – assuming the issuer of the power of attorney is a legal entity – documents proving the signatory's authorization, must be sent to the company prior to the Meeting. The details provided will only be used in connection with the Meeting and for preparing the voting list.

Proposals to the 2008 Annual General Meeting

Proposed dividend

The Board of Directors and the President propose that a cash dividend of SEK 6.50 (6.00) per share be paid to the shareholders.

May 2, 2007, is proposed as the date of record. If the Meeting approves the proposal, the dividend will be remitted by VPC AB on May 7, 2008.

Board members

Berthold Lindqvist (elected to Trelleborg's Board in 1996) has declined reelection prior to the 2008 Annual General Meeting. The Nominations Committee proposes the election of Sören Mellstig as a new Board member and the reelection of all other Board members.

Shareholders, who together represent approximately 65 percent of the votes in the company, have announced their support of the proposal.

Election of auditors

The Nominations Committee has decided to propose to the 2008 Annual General Meeting the reelection of PricewaterhouseCoopers AB as the company's auditor for a four-year period.

Shareholders, who together represent approximately 65 percent of the votes in the company, have announced their support of the proposal.

Addresses

Head offices

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Trelleborg Sealing Solutions

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Tel: +45 33 34 96 00
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E-mail: sealing.solutions@trelleborg.com

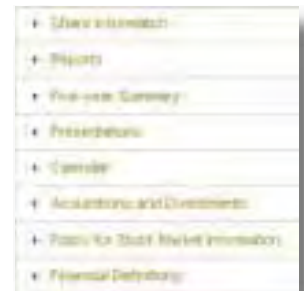
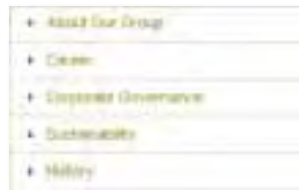
Trelleborg Wheel Systems

Via Naz, Tiburtina, 143
IT-00010 Villa Adriana (Roma), Italy
Tel: +39 774 38 41
Fax: +39 774 38 48 02
E-mail: wheel.systems@trelleborg.com

Keep up with **Trelleborg** all year round

News – Includes brief news items relating to Trelleborg's multifaceted world – our customer solutions, technological advances and innovations.

Contacts – Includes addresses to our units and various contact persons, as well as links to all of Trelleborg's web-sites. It is also possible to subscribe for or order our publications.



Corporate Information

Contains general information regarding the Trelleborg Group:

- our business concept, management and organization, as well as our values and targets,
- facts about our corporate governance,
- Trelleborg's efforts to create a sustainable operation (how our activities impact the surrounding environment),
- job vacancies,
- the Group's history.

Investors

This section contains extensive information for our investors, such as:

- the share price trend and ownership structure,
- the financial result, both in overview and in a more detailed version,
- financial reports with downloadable annual reports from 1976 and onward,
- webcasts from interim reports and other events,
- a calendar of events with current dates,
- acquisitions and divestments.



Products and solutions

Contains facts concerning:

- which industries we focus on,
- search for a suitable product or solution alphabetically,
- or by industry and product group,
- read more about our research and development,
- learn more about polymers.



Media

Contains comprehensive information for the press and other media:

- all press releases from 1995 and onward relating to such activities as acquisitions and other important events,
- information required to follow the company's development,
- a image archive,
- video clips,
- Trelleborg's T-Time magazine.

In 2007, www.trelleborg.com was ranked the sixth best corporate website among companies listed on the Stockholm Stock Exchange in the annual web ranking conducted by the communications consultant Hallvarsson & Hallvarsson. The survey encompasses more than 100 criteria with a focus on financial information and investor relations. Trelleborg's website has been ranked among the top ten websites in the survey for the past seven years.



This list includes Trelleborg's units in January 2008. The number of employees in each country pertains to the average number of employees in 2007



Australia

Production: East Bentleigh, Surry Hills, Zillmere
 Development unit: Zillmere
 Market Offices: Bibra Lake, Zillmere, East Bentleigh, Melbourne
 Number of employees: 118

Austria

Market Office: Vienna
 Number of employees: 16

Belgium

Market Offices: Brussels, Dion-Valmont, Evergem, Zaventem
 Number of employees: 66

Brazil

Production: Guarulhos, São José dos Campos
 Development unit: Guarulhos
 Market Offices: Lencois Paulista, São Paulo
 Number of employees: 942

Bulgaria

Market Office: Sofia
 Number of employees: 18

Canada

Production: Guelph
 Market Office: Etobicoke
 Number of employees: 135

China

Production: Caoheijing, Chang Chun, Shanghai, Shangyu City, Wuxi
 Development unit: Shanghai
 Market Offices: Chengdu, Dalian, Guangzhou, Hong Kong, Shanghai, Wuhan
 Number of employees: 1,090

Czech Republic

Production: Dobruvice, Hrádek nad Nisou, Lesina
 Market Offices: Rakovník, Prague
 Number of employees: 670

Denmark

Production: Hadsten, Helsingør, Vejen
 Development units: Hadsten, Helsingør
 Market Offices: Hadsten, Hedensted, Hillerød
 Number of employees: 554

Estonia

Production: Kuessare
 Number of employees: 40

Finland

Production: Keikyä, Kiikka, Vihti
 Market Offices: Nokia, Vantaa
 Number of employees: 145

France

Production: Carquefou, Chemaudin, Clermont-Ferrand, Condé-sur-Noireau, Nantes, Poix-Terron, Rethel, Sancheville, Witry lès Reims
 Development units: Carquefou-Modyn, Carquefou-Prodyn, Clermont-Ferrand, Nantes, Witry lès Reims
 Market Offices: Clermont-Ferrand, Compiègne, Maisons-Laffitte, Paris, Rochefort
 Number of employees: 3,079

Germany

Production: Breuberg, Duisburg, Grossheubach, Lathen, Mosbach, Rechlin
 Development units: Höhr-Grenzhausen, Mannheim, Mosbach, Stuttgart
 Market Offices: Erbach/Odenwald, Hamburg, Stuttgart, Mettmann, Lathen
 Number of employees: 1,342

Great Britain

Production: Barrow-in-Furness, Bridgewater, Cadley Hill, Hull, Knaresborough, Leicester, Manchester, Minworth, Newtown, Rotherham, Runcorn, Skelmersdale, Tewkesbury
 Development units: Ashchurch, Bridgewater, Leicester, Malmesbury, Rotherham, Skelmersdale
 Market Offices: Ashby de la Zouch, Bakewell, Barrow-in-Furness, Bellshill, Cadley Hill, Edinburgh, Hull, Knaresborough, Leicester, Malmesbury, Manchester, Minworth, Rotherham, Runcorn, Skelmersdale, Solihull, St. Alban
 Number of employees: 2,128

Hungary

Market Office: Budapest
 Number of employees: 14

India

Production: Bangalore, Noida
 Market Offices: Ahmedabad, Jayanagar
 Number of employees: 464

Indonesia

Market Office: Jakarta
 Number of employees: 11

Italy

Production: Cirié, Livorno, Lodi Vecchio, Rio Saliceto, Spilamberto, Tivoli, Turin
 Development units: Livorno, Lodi Vecchio, Tivoli, Turin
 Market Offices: Cuneo, Cinisello Balsamo, Livorno, Rome, Sesto San Giovanni, Tivoli
 Number of employees: 1,523

Japan

Development unit: Toyo Koto-ku
 Market Offices: Toyo Koto-ku, Tokyo, Yokohama
 Number of employees: 102

Latvia

Production: Liepaja
 Number of employees: 5

Lithuania

Production: Tauragė
 Number of employees: 111



Malaysia

Market Office: Kuala Lumpur
 Number of employees: 2

Malta

Production: Hal Far
 Development unit: Hal Far
 Number of employees: 621

Mexico

Production: Toluca, Tijuana
 Market Offices: Col. Trabajadores de Hierro
 Number of employees: 616

Netherlands

Production: Ede, Hoogezand, Ridderkerk
 Development units: Ede, Ridderkerk
 Market Offices: Barendrecht, Ede, Ridderkerk, Lelystad
 Number of employees: 278

Norway

Production: Mjøndalen
 Development unit: Mjøndalen
 Market Offices: Leirdal, Mjøndalen, Oslo, Siggerud, Spydeberg, Stavanger
 Number of employees: 342

Poland

Production: Bielsko-Biala, Czechowice-Dziedzice, Walbrzych
 Market Offices: Łódź, Warsaw
 Number of employees: 1,304

Romania

Production: Dej
 Number of employees: 119

Russia

Market Office: Moscow
 Number of employees: 22

Singapore

Production: Singapore
 Development unit: Singapore
 Market Office: Singapore
 Number of employees: 233

Slovakia

Production: Nova Bana
 Number of employees: 92

Spain

Production: Burgos, Cascante, Izarra, Martorell, Pamplona, Tarazona, Santander
 Development unit: Izarra
 Market Offices: Barcelona, Madrid
 Number of employees: 1,519

Sri Lanka

Production: Kelanyia, Malwana
 Development units: Kelanyia, Malwana
 Number of employees: 706

South Africa

Market Office: Johannesburg
 Number of employees: 40

South Korea

Production: KyungBuk
 Development unit: Gyeong San
 Market Office: Seoul
 Number of employees: 430

Sweden

Production: Bor, Bålsta, Ersmark, Forsheda, Havdhem, Hemse, Höganäs, Kalmar, Rydaholm, Sjöbo, Sävsjö, Trelleborg, Värnamo, Örebro
 Development units: Ersmark, Forsheda, Höganäs, Kalmar, Sävsjö, Trelleborg, Örebro
 Market Offices: Bromma, Gothenburg, Höganäs, Jönköping, Kalmar, Värnamo
 Number of employees: 2,322

Switzerland

Market Office: Crissier
 Number of employees: 27

Thailand

Market Office: Bangkok
 Number of employees: 3

Taiwan

Market Office: Taichung
 Number of employees: 18

Turkey

Production: Çerkesköy
 Number of employees: 283

United Arab Emirates

Market Office: Dubai
 Number of employees: 7

USA

Production: Aurora, Benton Harbor, Bloomfield Hills, Bristol, Broomfield, Canton, Carmi, Clearbrook, Fort Wayne, Hartville, Hudson, Houston, Mansfield, Morganfield, Norcross, Peru, Randolph, Rutherfordton, Salisbury, Sandusky, Somersworth, South Haven, Spartanburg, Streamwood
 Development units: Bloomfield Hills, Broomfield, Fort Wayne, Hartville, Northborough, Somersworth, South Haven, Spartanburg, Streamwood
 Market Offices: Bloomfield Hills, Broomfield, Castro Valley, Colmar, Conshohocken, Fort Wayne, Houston, Lombard, North Charleston, Portland, Portsmouth, Torrance
 Number of employees: 3,606

Financial key figures**Debt/equity ratio**

Net debt divided by total equity.

Earnings per share

Profit for the period, attributable to equity holders of the parent divided by the average number of shares outstanding.

Earnings per share after dilution

Profit for the period, attributable to equity holders of the parent divided by the average number of shares outstanding plus the average number of shares added through the conversion of outstanding debentures and warrants.

Equity/assets ratio

Total equity divided by total assets.

Free cash flow

Operating cash flow and cash flow from financial items and tax and the effect of restructuring measures on cash flow.

Free cash flow per share

Free cash flow divided by the average number of shares outstanding.

Net debt

Interest-bearing liabilities less interest-bearing assets and cash and cash equivalents.

Return on shareholders' equity

Profit for the period, attributable to equity holders of the parent as a percentage of average shareholders' equity, excluding minority interests.

Yield

Dividend as a percentage of the market price.

Operational key figures *)**Average number of employees per business area**

Including employees hired on a current basis and externally contracted temporary resources.

Capital employed

Total assets less interest-bearing financial assets and cash and cash equivalents and non-interest-bearing operating liabilities (including pension liabilities) and excluding tax assets and tax liabilities.

Earnings per share

Profit for the period, attributable to equity holders of the parent company, excluding items affecting comparability net after tax, divided by the average number of shares outstanding.

EBIT

Operating profit according to the income statement.

EBITA

Operating profit excluding impairment of intangible assets and items affecting comparability.

EBITDA

Operating profit excluding depreciation and amortization on PPE and intangible assets, and items affecting comparability.

EBITDA margin

EBITDA excluding profit from participation in associated companies as a percentage of net sales.

Net debt/EBITDA

Net debt divided by EBITDA.

Operating cash flow

EBITDA excluding undistributed participation in the earnings of associated companies, invest-

ments and changes in working capital but excluding cash flow pertaining to restructuring.

Operating cash flow/EBIT

Operating cash flow as a percentage of operating profit, excluding items affecting comparability.

Operating cash flow per share

Operating cash flow divided by the average number of shares outstanding.

Operating margin (ROS – Return On Sales)

– Operating profit excluding participation in the earnings of associated companies and items affecting comparability as a percentage of net sales.

– Operating profit excluding participation in the earnings of associated companies but including items affecting comparability as a percentage of net sales.

P/E ratio excluding impairment losses and restructuring costs

Market price divided by the earnings per share excluding items affecting comparability net after tax.

Rate of capital turnover

Net sales as a percentage of average capital employed.

Return on capital employed (ROCE)

EBIT divided by the average capital employed.

Return on shareholders' equity

Profit for the period, attributable to equity holders of the parent, excluding items affecting comparability, net after tax, divided by average shareholders' equity, excluding minority interests.

*) for continuing operations

Glossary

AVS Antivibration system.

Bar Unit for measuring pressure. 1 bar = atmospheric pressure at the earth's surface.

Bitumen-based Asphalt-based.

Boots Vehicle bellows.

Brake shims Rubber metal alloy rings attached to the brake lining (to minimize screech).

Carbon Trust A private company established by the British government to answer the threat posed by climate change. The aim is to accelerate the country's change in the direction of an economy with low carbon dioxide emissions.

Cross-ply tire A former popular type of tire in which the fiber direction in its inner reinforcement, the tire cord, is placed diagonally against the center of the tire, facing the direction of travel.

Driveline system (Powertrain) Propulsion system for vehicles, mainly engines and their components.

Elastomer A polymer with high elasticity that can be stretched to at least double its length. Once the exerted pull force is released, the polymer returns almost entirely to its original length.

EMC (Electromagnetic Compatibility) A term used to describe how electromagnetic radiation in electronics in various equipment affects or is affected by the surroundings. The EMC shielding components comply with certain rules for electronic equipment, for example, EU directives.

EPM/EPDM (ethylene-propylene rubber) A type of rubber that is very heat- and weather-resistant, properties that make it suitable for sealing strips, tubing and vehicle components.

Extrusion Continuous manufacturing process in which the material is squirted out through a nozzle, for example for sealing strips and hoses.

FFKM An elastomer belonging to the perfluoroelastomers, with high resistance to heat and chemicals.

Global Compact UN initiative that unites companies and social institutions around universally applicable principles for environment and society. The aim is for companies to become members of society that are involved in developing solutions for challenges arising from increasing globalization.

GRI (Global Reporting Initiative) A global network in which community representatives, industries, investors and others cooperate to create and improve the onset within sustainable reporting, on a consensus basis.

NVH (Noise, Vibration, Harshness) An overall term for noise, vibration and sudden movements that the car driver and passengers experience as unpleasant. A car with low NVH values is experienced as comfortable.

OEM (Original Equipment Manufacturer) The end producer of, for example, a car.

Perfluoroelastomer A highly exclusive elastomer with high resistance to heat and chemicals.

Plastics can be divided into two main groups. Thermoplastics are non cross-linked plastics that are solid at room temperature but become soft and moldable when heated. Hard plastics are cross-linked plastics that disintegrate upon heating and do not regain their properties.

Polymer The word is derived from the Greek "poly," meaning "many" and "meros" meaning "parts." A

polymer consists of a long molecular chain of linked repeated units. Polymers are made up of many small molecules – monomers – that are linked in long chains. Examples of polymers are plastics and rubber.

Polymer technology The technology relating to manufacturing processes for polymers in combination with their unique properties.

Polyurethane A polymer in coatings and wear-and-tear products.

PTFE (polytetrafluoroethylene) Highly chemical- and temperature-resistant thermoplastic.

PVC (polyvinylchloride) A thermoplastic used for tubing.

Radial tires Increasingly popular type of tire with the fibers of the inner reinforcement, the tire cord, placed in a radial direction towards the center of the tire.

Tier 1 Subcontractors with the highest level of value added and direct suppliers to OEMs. Often have their own subcontractors (Tier 2).

TPE (thermoplastic elastomer) TPO (thermo-plastic polyolefin) Recyclable material that is a combination of plastic and rubber.

Vulcanization A process whereby the rubber polymers are cross-linked to make the rubber more elastic. Vulcanization is often carried out at elevated temperatures.

Vulcanizing agent Additive for vulcanization of rubber. The most common vulcanizing agent is sulfur. Organic peroxides are used when transparency, non-discoloration or high elasticity is required.

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With temperature fluctuations between -120°C and $+180^{\circ}\text{C}$, having a reliable climate control system on the International Space Station (ISS) is vital. Specially designed seals from Trelleborg keep aggressive substances in the cooling system in place and resist both extreme changes in temperature and pressure and constant space radiation.



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