

CEO Peter Nilsson's address to the 2008 Annual General Meeting

Mr. Chairman, honored Shareholders.

I believe that Trelleborg is a company that it is easy to be proud of.

We have a well-defined business model. It is based on our efforts to be the company of choice for our customers by offering high-performance solutions within carefully selected market segments. Solutions that seal, damp and protect in demanding industrial environments throughout the world. Our customers can be certain that they receive advanced solutions from Trelleborg – solutions that we base on leading polymer technology and in-depth, unique applications know-how. Trelleborg strives to achieve leading positions in our carefully selected segments in global, regional and, sometimes, local markets. We are convinced that this provides added value for our customers and leads to favorable financial performance by the Group, creating sustained values for our shareholders in the process. Naturally, this work has a long-term focus.

Compared with a few years ago, a significantly larger portion of our sales is conducted within attractive market areas, where we hold, or have the potential to hold, market-leading positions. We are a globally active Group with a presence in more than 40 countries. We are increasing our presence in new, rapidly growing markets, including Asia, Eastern Europe and South America, and we are taking up positions with the intention of expanding in pace with global trends that drive structural growth.

With growing markets and an increasing population follows urbanization and commuting. This trend drives the need for cars and other means of transport – for which we supply solutions that seal, damp and protect and are designed to enhance the safety and comfort of vehicles. Increased traffic volumes also impose demands on an expanded and improved infrastructure of tunnels, railways and bridges. For these applications, we supply such solutions as tunnel seals and vibration-damping bearings.

A larger population also drives the development of agriculture and demand for infrastructure for food production, which in turn, increases the demand for agricultural tires and sealed and protected flow management systems and advanced hose systems.

Globalization drives transportation needs. Increased global sea transport requires better infrastructure solutions in the form of more and larger harbors. For these facilities, we deliver such damping solutions as marine fenders and docking systems to protect both vessels and quays. Transportation by air is also expanding and products we deliver to the aviation industry include a range of precision seals.

The growing population and industrialization also increases the demand for efficient and environmentally adapted energy. We deliver sealing solutions for energy equipment that utilizes more traditional energy sources, such as oil and gas, but we also supply solutions to renewable energy forms, such as wind power plants, hydroelectric power plants and solar energy. In buildings worldwide, our sealing profiles seal windows and doors and reduce energy consumption in a decisive manner. These global trends increase demand worldwide for solutions that seal, damp and protect.

Let me present a few examples of our products that seal. For example, our solutions seal the world's largest passenger aircraft with a capacity to carry up to 800 passengers – the Airbus

380 – which is manufactured throughout Europe and assembled by Airbus in France. For this giant of the air, we deliver a number of seals used in such areas as the control system.

However, our seals are also used on the ground. For example, they are fitted on excavators, allowing them to function correctly in the construction of roads and other types of infrastructure. This is because we are a leading supplier to global manufacturers of contractor equipment, which we provide with seals used in such areas as hydraulic systems.

As a matter of fact, seals used in an aircraft that travels at an altitude of 10,000 meters, an excavator on the ground or a tunnel under water have a great deal in common in terms of their physical attributes, which are unique and characteristic of polymers.

This also applies to our other function, to damp, which is also founded on the unique advantages of polymers, such as elasticity and insulation.

We supply such solutions as engine mounts for two BMW models in the US and to the majority of the world's other car manufacturers, such as Ford, Renault, Daewoo, Toyota and Volvo. Engine mounts reduce the vibrations of engines and optimize comfort and road-holding qualities. The solution may be a damper, for example, a hydromount that looks like this. In Sydney, Australia, we dampen vibrations from high-speed trains and restrict vibrations emanating from the train that disturb the surrounding environment.

The system, which comprises two components to dampen vibrations, looks like this.

We have a range of solutions that protect investments and processes against wear and tear, extreme temperatures and corrosion.

Our dredging hoses pump up abrasive coral sand to the man-made islands outside Dubai. Such a hose, which you can also view at the entrance, can have an outer diameter of nearly three meters and is based on the unique properties of rubber with regard to protection and wear and tear. Not many people know that rubber is actually more durable than the majority of metals. We deliver smaller, but nonetheless, advanced hoses to this dairy in Brazil. Within the food industry, demands placed on resistant, odor and taste-free, but above all, hygienic flow management systems are extreme. Our system for food applications, which is sold under the name Citerdial, looks like this.

For platforms for deep-sea oil and gas extraction, such as this one off the coast of West Africa, we supply solutions that safeguard oil production and protect personnel, investments and the environment. One example is this solution – it is a so-called VIV Strake that reduces the loads caused by ocean currents by directing the currents around the drilling unit in a certain manner. In this way, the metal in the drilling tube, which can be several kilometers long, is prevented from weakening and subsequently failing.

At the same time, the load on the connection to the platform at sea level is reduced and protection is offered.

As you can see, we are active in many different segments – segments that are nevertheless carefully selected. Our overriding strategy is to create leading positions within these carefully selected segments. We continuously evaluate, in a structured manner, where we should grow and what segments we should exit. Our active portfolio management is vital in our efforts to move toward more attractive segments. In line with this approach and the geographic markets we prioritize, we also choose how we design our production structure so that it is adapted to those segments, countries and regions in which we aim to expand.

Where the need is justified, we coordinate our production sites to create specialized and improved units.

The purpose of this is also to attain a better cost structure and become more competitive. Structural measures of this type are necessary, particularly within Trelleborg Automotive, which suffers from a relatively difficult market situation, both in terms of demand and raw materials, and a product range and production structure that are not entirely focused. This is an issue that has impeded and continues to impede the price trend of the Trelleborg share. Accordingly, a few years ago, we initiated an operational and strategic review of Trelleborg Automotive that contains several measures.

These include the coordination of European service functions and globalized processes, such as purchasing. We divested our operation within the area of air springs in the UK. We also consolidated production and closed four production sites.

The strategic and operational review requires patience.

Particularly in view of the fact that we are now being affected by further increases in the price of raw materials. However, this is also a project that creates value.

Today, we decided on further measures within Trelleborg Automotive and I will talk about these in a moment. I am convinced that our measures will yield results. Apart from the four production units already closed in Automotive, we closed or decided to close a further four production plants in 2007. We relocated operations to other existing or new plants. These actions were taken to meet local demand in such areas as growth markets. Additionally, we achieve a more advantageous cost level and, above all, a greater presence in attractive future markets, including Asia, the Baltic States and Eastern Europe.

We currently have some ten plants in Eastern Europe. One of these is Dej in Romania, which you can see behind me. At this site, we produce antivibration components for such companies as Renault locally in Romania and Ford, which has taken over and is remodeling a plant in Romania to satisfy local demand. We are expanding vigorously in China. In the past 18 months, we have opened or taken decisions to sharply increase our capacity in five plants in China, two in Wuxi, a city with double the population of Stockholm and two hours from Shanghai, one plant in the center of Shanghai, one in Zhangjiagang, which is located between Shanghai and Suzhou, and one in Qingdao, on the coast between Shanghai and Beijing. We currently have slightly more than 7,000 employees in what we call growth markets.

In addition to these strategic decisions, we continuously strengthen our leading positions by focusing on excellence, growth and innovation in our day-to-day activities. We strive to achieve excellence by continuously improving our operation – financially, commercially and operationally. During the year, for example, we initiated processes to streamline our use of capital and improve cash flow. We are procuring an increasingly large portion of the raw materials and components we use from areas with a more competitive cost level. We established a new purchasing organization that ensures that we benefit from our size and global presence and we initiated processes to optimize our pricing. As regards operations, we established Group-wide processes and approaches to ensure the continuous improvement of our manufacturing plants.

Innovation, which comprises one of our core values and one of our strategies, also creates the conditions for retaining and developing our leading positions.

It involves the curiosity of employees, the will to change and innovative thinking in all that we do. It also involves openness by all leaders, from myself, and throughout the entire organization, to question the status quo and test new ideas in all our processes and procedures, from research and development to a functioning solution in place at the customers' sites. A number of well-equipped development units are at the disposal of our customers throughout the world. One such center is located in Fort Wayne, in the US, which in addition to basic material development, also develops and tests customer-specific solutions for the global aviation industry.

This leads me to Growth.

Long-term, profitable growth within selected segments.

Growth is necessary for us to be able to prioritize segments, enhance efficiency and develop the operation. Moreover, growth creates value for all stakeholders. For example, with a larger organization, we can provide employees with new challenges, allowing them to develop within Trelleborg. For us shareholders, healthy growth implies an increase in Trelleborg's market capitalization. We create growth by allocating resources to priority areas. We grow with increased market shares by being better than the competition.

In many areas, our market remains fragmented with many small competitors. Today, we are the second largest company in the world within industrial rubber.

This offers us competitive advantages and consolidation opportunities. We also grow by developing new products and solutions. To increase sales to existing segments, we are forming clusters of solutions for selected market segments, such as infrastructure, where we are expanding our offering with a growing number of solutions. We are also forming clusters of application areas surrounding our technologies, that is, existing technology for new market segments. Examples include polymer-coated materials used in an increasing number of applications, such as printing blankets and hovercraft skirts.

We are now also developing new geographical markets, particularly those in the rapidly expanding areas of Asia, Eastern Europe and Latin America. We have already grown organically by an average of 5 percent per year since 2003. During 2007, the level of organic growth reached a full 10 percent, which is significantly more than the growth reported in our underlying markets. In fact, this represents an all-time-high for our current structure.

We are also growing through acquisitions – an area in which we have both financial and organizational capacity. During 2007 and the first few months of 2008, we acquired and integrated some ten companies worldwide. The acquisitions complement our offering in relation to technology and strengthens our presence in prioritized segments or broadens our coverage, such as Reeves in 2006, which was followed by an agreement to acquire the operations of MacDermid in March this year. Both are examples of how we establish Trelleborg in selected segments and broaden our geographic presence.

Other reasons also exist for the acquisition of these operations and one main reason is the creation of a world-leading position within polymer-coated material, and this possibly relates in particular to the printing blankets application.

Here in the town of Trelleborg, we possess world-leading expertise in the area of polymer-coated material. Products produced include the material that becomes shims and that dampens noise and vibrations in more than half of the world's newly produced cars.

If we add up the total growth since 2003, we have averaged growth of more than 12 percent per year. This is clearly better than the underlying market and we have improved our global balance. The bulk of sales are still derived from Europe, but we are growing faster, organically and through acquisitions in growth markets. We intend to continue along this path, without forgetting the potential that exists in more traditional markets.

Strategy and ambition are obviously important, but action is decisive.

Moreover, action requires solid leadership. Leadership is the link between our strategies, related activities and decisions that ensure implementation in all of our plants worldwide. Naturally, a priority of ours is to attract, develop and retain our employees.

We do this within the parameters of what we call Talent Management. Competent employees and managers, combined with a well-developed control and reporting system is important to be able to control our Group, which is present in more than 40 countries, in a responsible manner. The same is also true for our core values, policies and, above all, our Code of Conduct, which is a matter of intense focus in our work.

Naturally, it is entirely unacceptable that a number of our managers have participated in unlawful competition cooperation, such as was the case in our French unit for marine hoses, which was became known in 2007 and, since then, has impacted the value of the Trelleborg share. It is still impossible to ascertain the financial effects of this infringement. Of course, we are assisting the authorities with the investigation to the best of our ability to settle the matter. Naturally, we had – and have – regulations that forbid such infractions, but unfortunately, we can never entirely protect the company from the criminal actions of individual employees. Nevertheless, we have now also taken a number of global measures to minimize the risk of a recurrence of a similar event.

We also include transparency in the concept of responsible governance. For our various official reports, we have received a number of awards. In recent years, our annual report has been internationally recognized as one of the 20 best in the world by the distinguished analysis company e-com. In 2007, our sustainability report was chosen as one of the two best in Sweden by the OMX Nordic Exchange Stockholm.

Now, let me show you how we performed in relation to our financial targets. In the past year, we delivered better growth than the stipulated target.

We are closing in on the Group goal of 12 percent EBITDA margin, which will be achieved in the mid-term. In fact, three of our business areas improved their EBITDA margin in 2007 and are now close to achieving the Group target. Return on capital employed and return on shareholders' equity also improved and are approaching the target.

Our cash flow is increasing. The cash flow target in relation to operating profit was not fully achieved in 2007 – a target that we have traditionally achieved. This is due to such factors as our organic growth, which is increasing our requirement of operating capital, and a deliberately higher pace of investment. I believe that our capital structure is solid. Our debt/equity ratio is within the target value and permits further growth.

With our earnings from 2007, we have once again created the resources for a favorable dividend to shareholders. Calculated on the proposed dividend, the dividend yield totals nearly 5 percent. Calculated on profit after tax for continuing operations and before items affecting comparability, the dividend totals 46 percent, which is in line with the Group's dividend policy. Moreover, our financial targets stand firm.

Before I summarize the year and today's presentation, let me show how we performed in the first quarter of the year. Our net sales in the first quarter increased to slightly less than SEK 8.1 billion. We also continued to report strong organic growth of 5 percent. Our operating profit was the strongest to date for the Group in its current structure and increased to SEK 622 M. This was mainly attributable to continued favorable market conditions, efficiency enhancements and an improved product and market mix. If we consider the figures at a business area level, Trelleborg Sealing Solutions and Wheel Systems reported healthy growth with improved margins. Engineered Systems recorded a temporary decline in project deliveries, and sales and operating profit in line with the first quarter of 2007, which was a very strong period.

Trelleborg Automotive grew organically by 5 percent, despite challenging market conditions, principally in North America. However, operating profit declined, mainly due to increased costs in conjunction with restructuring and slightly higher raw material costs.

Furthermore, after the close of the period, we decided to initiate consultations concerning a new action program within Trelleborg Automotive. It involves a restructuring of the Fluid Solutions business unit in Nantes, France. This is a necessary measure to regain profitability. The cost for the program amounts to about SEK 400 M, of which the cash effect is estimated at SEK 275 M. The positive annual earnings effect is estimated at SEK 110 M on full impact, which means that the repayment period is anticipated to be less than three years. In total, for continuing operations, excluding items affecting comparability, the Group reported a slightly lower net profit of SEK 343 M.

For the second quarter, we expect continued favorable growth within most of the Group's market segments and we can see no decline in our order books. However, the challenges faced in the automotive market are expected to continue.

In conclusion, I would like to sum up 2007 and today's message. We are progressively moving toward attractive and prioritized segments. In 2007, we achieved a few of our targets and drew closer to others. We reported strong organic growth of 10 percent and a continued favorable earnings trend for operations outside the automotive industry. In the first quarter of 2008, we recorded a strong result and continued favorable growth. We also initiated a number of activities within the framework of Trelleborg Automotive's strategic and operational review.

Through efficiency enhancements and continued focus on profitable segments, we improved our margins. We also increased our presence in growth markets.

We have a focused business concept to create values through solutions that seal, damp and protect throughout the world.

And on that note, I conclude my presentation.