

Report by the Board of Directors on Internal Control

The responsibility of the Board of Directors for internal control is regulated by the Swedish Companies Act and by the Swedish Code of Corporate Governance, which contain requirements on annual external information disclosure concerning how internal control is organized in terms of financial reporting.

Internal Control of financial reporting is a part of the total internal control within Trelleborg, whose starting point for the process is in the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model, refer to the overview below, and is a key component in Trelleborg's Corporate Governance. Internal Control is also a part of the Group's Enterprise Risk Management process; refer to page 30.

The following description was prepared in accordance with the Swedish Code of Corporate Governance and represents the Board of Directors' report on internal control regarding financial reporting. This description does not constitute part of the formal Annual Report documents and has not been reviewed by the company's auditor.

Internal Control over financial reporting

Internal Control of financial reporting aims to provide reasonable assurance with regard to

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

Risk assessment

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

Control staff function and the results are reported to the Audit Committee.

Control environment

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

Furthermore, the Board has appointed an Audit Committee, the primary task of which is to ensure compliance with established principles for financial reporting and internal control and that appropriate relations are maintained with the company's auditors. The Board has also established instructions for the President and instructions for financial reporting to the Board of Trelleborg. The responsibility for maintaining a good control environment and the ongoing work on internal control as

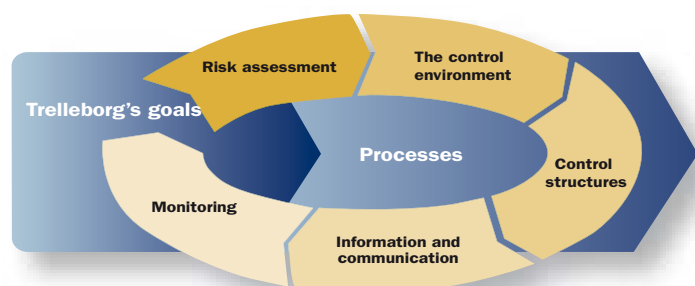
Internal Control – a process that supports operational goal achievement

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 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), www.coso.org.

Risk assessment is conducted within the framework of Trelleborg's Enterprise Risk Management process. This is described in greater detail on pages 30-33.

The control environment includes the values and ethics upon which the Board, the Audit Committee, the President and Group Management base their communication and actions, as well as the Group's organizational structure, leadership, decision routes, authorizations, responsibilities and the expertise of the employees. An overview of the Group's organization and governance, including external and internal steering instruments, which are important elements of Trelleborg's control environment, is outlined on pages 40-42. Trelleborg's values constitute a long-term commitment, which, combined with business concepts, targets and strategies, guides the employees in their daily work. Trelleborg's Code of Conduct comprises principles for how business should be conducted. Trelleborg is characterized by a decentralized organization that is managed based on target-oriented leadership with clear targets and rewards based on performance.

Control structures are about which controls have been chosen to manage Group risks. Examples of control strategies that are applied in the Group are found on pages 30-33 and on page 47.



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

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

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

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

Control structures

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

Information and Communication

Information and communication regarding internal steering instruments for financial reporting are available to all employees concerned on Trelleborg's intranet. Information

and communication relating to financial reporting is also provided through training.

In the Group, there is a process by which all relevant employees confirm compliance with Trelleborg's policies on an annual basis. The Group's CFO and the Head of the Internal Control staff function report the results of their work on internal control as a standing item on the agenda of the Audit Committee's meetings. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are continuously reported to the Board. External financial reporting is performed in accordance with relevant external and internal steering instruments.

Monitoring

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

Activities in 2009

Under the supervision of the Internal Control staff function, 25 internal audits in eight countries were performed during the year. The audits were conducted either by an internal team comprising the Internal Control staff function in cooperation with other staff func-

tions with specialist competence in such areas as purchasing, cash-flow management and finance or, in relation to IT security audits, by a team comprising the head of Group IT in cooperation with external consultants.

In 2009, there was major focus on processes affecting cash flow, such as the sales process, the inventory process and the purchasing process, which was a new process in 2009. In 2009, the Group was successful in improving cash flow. Enhanced processes and controls contributed to this. IT security was also an area of focus in 2009, which resulted in several improvement measures at Group level and in the Group's companies and processes.

In 2009, an intranet section for Internal Control was developed, giving employees access to standardized tools and documents, as well as examples of operational solutions. The aim of this is to provide increased support for the Group's companies and business areas to be able to meet the Group's minimum internal control requirements in relation to financial reporting.

Focus in 2010

In 2010, the Internal Control staff function will continue to focus on processes affecting cash flow. Furthermore, new minimum requirements for good internal control will be introduced for the salary-management process, including pensions and other remuneration.

During the year, the cooperation between the Internal Control staff function and the Group Legal and Risk Management staff functions, which are primarily responsible for the ERM process, will be further developed and intensified.

*Trelleborg, February 16, 2010
The Board of Directors of Trelleborg*

Significant processes – Self-evaluation, Internal auditing, Training/Tools

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