

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. Internal control of financial reporting is included as a part of the overall internal control in Trelleborg, and is a central component of Trelleborg's corporate governance.

Internal Control over financial reporting

The following description was prepared in accordance with the Swedish Code of Corporate Governance and represents the Board of Directors' report on internal control of financial reporting. The report has been examined by the company's auditor.

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 external financial reporting are fulfilled and comprise the basis for how risks are to be managed through various control structures. The risk assessment is updated on an annual basis under the direction of the Internal Control staff function and the results are reported to the Audit Committee.

The 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.

The Board has appointed an Audit Committee to represent the Board in matters concerning the monitoring of the company's financial reporting and, in relation to the financial reporting, to monitor the efficiency of the company's internal control, internal audit and risk management. The Audit Committee shall also

Related information

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|--|-------------|
| Risk Management | pages 34-39 |
| Overview of governance in the Trelleborg Group | pages 48-49 |

represent the Board by keeping itself informed in matters relating to the audit of the annual report and the consolidated financial statements, reviewing and monitoring the auditors' impartiality and independence and providing assistance when preparing proposals regarding the appointment of auditors for approval by the Annual General Meeting. The Board has also established instructions for the President and instructions for financial reporting to 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 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 Control at Trelleborg

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

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

The internal control process is based on a control environment that creates discipline and 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 34-35.

The control environment includes the values and ethics upon which the Board, the Audit Committee, the President and Group Management base their communication and actions, as well as the Group's organizational structure, leadership, decision channels, authorizations, responsibilities and the expertise of the employees. An overview of the Group's organization and governance, including external and internal steering instruments, which are important elements of Trelleborg's control environment, is outlined on pages 48-49. 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 relate to the controls have been chosen to manage Group risks. Examples of control strategies that are applied in the Group



can be found on pages 34-39 in the Risk Management section and on the adjoining page with regard to significant operative processes.

Information and Communication 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 whereby Group employees confirm that they comply with Group policies. Trelleborg's whistleblower 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.

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 good 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.

The control structure in the accounting and reporting process, which is significant to the financial reporting's reliability, includes requirements for 45 controls.

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 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, the Treasury 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. Monitoring also includes following up observations reported by the company's auditor. The Internal Control staff function works in accordance with an annual plan that is approved by the Audit Committee. The plan is based on the risk analysis and encompasses prioritized companies, business areas and processes, as well as work programs and budgets.

Activities in 2010

The Internal Control Group staff functions conducted 30 (25) internal audits in 16 (eight) countries. The greatest geographic focus was on Brazil, China and India. The majority of the audits were conducted by an internal team comprising the Internal Control staff function in cooperation with other staff functions with specialist competence in such areas as purchasing, cash-flow management and finance, and with external consultants. Internal audits of IT security are

carried out by the head of Group IT together with external consultants.

In 2010, considerable focus was on purchasing processes that influence cash flow, since the Group has large purchasing flows of raw materials, components and services. Focus was also on accounting and reporting processes in the Group's companies. A new process for 2010 was the salary management process, including pensions and other compensation.

The Internal Control Group staff function also conducted training in China, among other countries, in order to draw attention to, and train local companies in, the significance of effective processes and good internal control.

In conjunction with the majority of company visits around the world by the Internal Control staff function, the status of risk management in various areas such as the environment, legal issues, etc. has been fed back to the Group staff function concerned for follow-up. Cooperation between the Internal Control, the Group Legal and Risk Management staff functions, which are primarily responsible for the ERM process, was mainly focused on further development of the Group's ERM reporting in 2010.

Focus in 2011

In 2011, the Internal Control staff function will work broadly with the audit of all processes. However, focus will continue to be on the purchasing process, although IT security audits and the management of value-added tax will also be a focus area.

Geographically, the growth markets outside North America and Western Europe will continue to be prioritized markets for the Internal Control staff function in 2011.

*Trelleborg, February 15, 2011
Board of Directors of Trelleborg*

| | Company 1 | Company 2 | Business area 1 | Business area 2 | Purchasing | Treasury | Etc. |
|---|--|-----------|---|-----------------|--|----------|------|
| | Self-evaluation | | Internal audit | | Training/Tools | | |
| Financial report and reporting processes | <ul style="list-style-type: none"> Group-wide 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 and external consultants | | <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 2010 | | |
| Purchasing process | <ul style="list-style-type: none"> Deficiencies are 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 | | |
| Inventory 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 seven selected processes and about 250 minimum requirements for good internal control | | <ul style="list-style-type: none"> Training programs are a forum for the exchange of experience and sharing best practice | | |
| Sales process | <ul style="list-style-type: none"> Covers seven selected processes and about 250 minimum requirements for good internal control | | <ul style="list-style-type: none"> Internal audits result in observations, recommendations and proposals for decisions and measures | | <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. | | |
| Process for assets | <ul style="list-style-type: none"> All relevant employees annually confirm their compliance with the Group's policies. | | <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. | | | | |
| IT security process | | | | | | | |
| Salary management process incl. pensions and other compensation | | | | | | | |