

## President's speech at the AGM on April 24, 2013

Change, like continuity, is the foundation of our success. Today, I will explain how we continued to change and improve the Trelleborg Group during the year by continuously focusing on the strategic initiatives that have served as our guiding stars in recent years. I will also explain how we, helped by these, have built a strong and focused polymer company. I will then go on to describe how we will use these same initiatives in our work going forward.

Let me start by summarizing the eventful year that was 2012. Like the rest of the world, we experienced a strong first six months of 2012, but conditions weakened in the second half of the year. Nevertheless, as a whole, 2012 was our best year to date, following our strongest year prior to that, 2011. As a result of our improved earnings, we could also continue to strengthen our balance sheet, broadening the options we can take as we continue to develop the Group.

We also continued to improve our geographic balance and established or acquired no fewer than nine new manufacturing units outside Western Europe and North America. Four of the new units are located in Brazil. In Macaé, a few hours' drive north of Rio, we inaugurated a facility that develops and manufactures various buoyancy products for the offshore industry. In Santana de Parnaíba, outside São Paulo, we inaugurated a further two manufacturing facility. In the first of these, we are developing and manufacturing hoses for surface and deep-sea applications in the oil and gas sector. In the second, the activities center on printing blankets for the graphics industry. Another manufacturing facility for printing blankets was added to our Group through the acquisition of Printec, located in Barueri, which is also just outside São Paulo.

In Bengaluru, India, we inaugurated three new manufacturing facility. One for high-performance sealing solutions, the second for industrial antivibration systems and the third for specialty molded components for various industrial segments. Now, Rajeev Gupta, one of our employees in India, will tell us some more about the operation there [film India].

In 2012, we also established two new manufacturing facility in China. We inaugurated one facility for agricultural tires in Xingtai, in the Hebei province. Right at the end of 2012, we expanded further in Xingtai when we purchased an industrial tire operation. And we are continuing to grow. At the beginning of 2013, we established another new manufacturing unit in Wuxi, enabling us to produce special types of seals, known as boots, locally in China.

Also in 2012, we carried out one of the Group's largest business transactions to date through the formation of TrelleborgVibracoustic. The company is the result of a merger of the antivibration operations for light and heavy vehicles of Trelleborg and Freudenberg. So a number of initiatives were carried out during the year to continue the development of the fourth stage of our journey from a conglomerate to a focused polymer company.

To highlight the fact that we are now in many respects a new company – and you probably noticed this in the lobby on the way in here – we have updated our graphic profile. We have also updated the manner in which we present ourselves. This website was also on display in the lobby and it will fully go live in May.

Our continued development and growth will primarily be derived from organic initiatives. However, we will continue to implement bolt-on acquisitions in the future, which we will subsequently grow organically. One such example is the Switzerland-based Silcotex, which we acquired to strengthen our position in precision seals primarily for medical technology applications. In this way, we have created a platform for continued organic growth in this attractive market segment.

We are continuing to invest in new technology and new machinery. A good example of this is the world's largest calendering machine, which we started testing at the beginning of the year. This will enable us to be even more efficient while also reducing the impact on the environment. The machine, which is situated close to Milano, is used to produce printing blankets.

We also continued to invest significantly in human capital, international management, local managers and the development of local markets.

This is how we create shareholder value. As those of you who monitor our share will have seen, we were rewarded for our efforts in early 2013 with our highest market capitalization on record. This is clearly illustrated by this graph, which extends from 2006 to the beginning of 2013, showing the company's total market capitalization. We will continue to further advance the company. Because we are, in many respects, a new stronger company, we have also revised our financial targets to demonstrate that we are continuing to raise our ambition level.

In the past, for example, we talked about an operating margin of 12 percent before depreciation. As of this year, the margin has been raised by 3 percentage points but expressed as an operating margin of 12 percent after depreciation. Despite an historically challenging period in the global economy since 2008, we surpassed our former margin target in both 2011 and 2012. I do not view this higher aspiration level as a long-term vision, but as something that is entirely realistic and achievable in the relatively near future.

We are continuing to work on the same strategic initiatives that have not only improved our earnings, but have also made the Group more stable. In recent years, we have improved the geographic balance by actively investing in markets outside Western Europe and North America. Since 2006, we have moved, divested or discontinued more than 35 production units in mature markets. Meanwhile, we have established nearly 20 new production units and a number of development units in other parts of the world.

The result of our efforts and investments is that we have increased our sales significantly in Asia, Eastern Europe and Latin America since 2006. Our sales have also increased in North America, which has allowed us to improve our geographic balance and reduce our dependency on individual geographies; something we intend to continue doing.

As is evident from the slide, we have grown considerably in these new countries. In China, for example, we have more than quadrupled our sales. We will continue to invest in India, Brazil and China, which we continue to perceive as attractive markets. Because it is here we will see growth, both now and in the foreseeable future. In the latter part of the year, we also improved our business portfolio, which is now more balanced and has a more even distribution between early and late-cyclical industries. Or to be more precise, our sales are more evenly spread between the general and capital-intensive industry.

We still have minor operations in the automotive industry, including well-positioned and global operations with favorable profitability. At the same time, we have boosted our potential to generate revenues from a global automotive industry through the formation of TrelleborgVibracoustic. This joint venture is 50/50 owned by us and Freudenberg and currently has sales of nearly SEK 15 billion. It is a global market leader and an excellent combination of operations that complement each other well in terms of geography, product portfolio and customers. Let me first show you a film that showcases the company's products [film TrelleborgVibracoustic]. The company is currently a stand-alone unit outside our operational structure. However, we are carefully monitoring developments since we are still a 50-percent owner of the company. For example, I am the Chairman of the Board of the company.

Growth in what we regard as attractive market segments takes place primarily through organic initiatives. Bolt-on acquisitions comprise an alternative approach that we sometimes adopt to more rapidly create a platform upon which we can continue to grow. Over the past fiscal year, we have acquired the Brazilian company Printec, with sales of approximately SEK 250 M. The aim is to further consolidate our already globally leading position in printing blankets. In the final hours of 2012, we also acquired Maine Industrial Tire, with sales of approximately SEK 600 M. This is a U.S.-based industrial tire operation that is well established with plants in China and the U.S., which are also the two largest markets for industrial tires.

We will continue to improve our product portfolio by strengthening our presence in such market segments as offshore oil & gas, infrastructure, aerospace, the chemicals industry, mines, medical technology and food processing.

The excellence programs, which are always assigned a high priority at Trelleborg, are focused on strategic areas, including manufacturing, purchasing, sales and working capital. The goal is to continuously improve our business and profitability. Today, I would like to talk about our sales processes. The foundation of our sales efforts consists of the solutions we can deliver thanks to our expertise in polymer technology, meaning our ability to utilize the properties of polymers, such as resistance, friction and electricity to seal, damp and protect.

We also have an advantage over many of our competitors because we are more global and can therefore act as a local and global partner everywhere we do business. We can support our global customers wherever they may be in the world and, not least, provide support to the new, rapidly growing companies in China and other parts of Asia as they grow globally. We also have a deep understanding of the critical applications our customers handle. Using these skills, we can develop innovative and customized solutions that help our customers to advance their businesses.

Let me show you two examples. Our new, unique rubber coating for antivibration components reduces the spread of hazardous fumes in the event of a fire in rail tunnels. We also help the pharmaceutical company Boehringer Ingelheim to facilitate breathing for people suffering from asthma through the decisive role our precision seals play in the dose administered by the inhalers the company delivers.

Active customer integration also plays a part in our offering; an area in which technology development provides new, exciting opportunities and opens the door for new business models. For example, Trelleborg Sealing Solutions offers applications online that enable customers to design sealing solutions themselves. Customers are also offered 24-hour global support when they use the tool from our operation in Bengaluru, India. Let me show you a film about this [film Trelleborg Sealing Solutions].

Our solutions must also be based on sound market insight. This allows us, as a value-creating partner, to remain a step ahead of our customers and to help them in various ways to develop their businesses, products and profitability, and thereby also keep ahead of their expectations on us.

Our offering contains another dimension that is becoming increasingly important: responsibility for correct corporate governance and sustainable development. These issues are high on the agenda of the Board and management, who continuously have to balance the Group's opportunities with responsible risk-taking while keeping sustainability in mind.

Our responsibility also includes correct social and ethical conduct. We continue to deploy our well-established global work-environment program *Safety@Work* so that Trelleborg – no matter where it is in the world – will be a safe and attractive workplace. We also have shared values and work to ensure sound ethics in all areas of our operation. Our Code of Conduct, which is a familiar feature internally and our most important ethical compass, is a standard that we also require our partners to follow. We have zero tolerance for all types of corruption, discrimination and unsound working conditions. For

some time now, we have had a well-established whistleblower system in place that enables employees across the globe to anonymously report any improper actions should these occur.

To further strengthen the Trelleborg brand, we also continued in 2012 to develop our training program and regulatory framework to tackle corruption and bribery. Each year, our senior managers must undertake in writing to comply with these rules.

As a major company, we are also becoming increasingly involved in the development of the communities in which we operate. This slide exhibits some of the organizations we support. Last year, I showed a film about the school in Sri Lanka that we support. You could also see the film in the lobby here today. Now, I would like to show you an example that is a little closer to home about how we support Ramlösa Södra, outside Helsingborg, Sweden, and its activities for young people with special needs [film Ramlösa].

The reorientation of society to a more sustainable way of living is one of the greatest challenges facing us today. Improved processes that enable us to save energy, and thus reduce our climate footprint, and sustainable solutions for our customers are highly prioritized issues at Trelleborg. A good example of how we are improving our processes is our new calendaring machine outside Milano, which I mentioned earlier. We expect this to be able to reduce our use of chemicals in the process by up to 90 percent. I am also proud of our solutions that can contribute to the sustainable development of our planet.

We reduce such effects as friction and we damp pressure, thereby conserving large amounts of energy with our engineered solutions. An example is our agricultural tires, designed to minimize damage to organic life in tilled land and to boost harvests. Furthermore, fuel consumption can be reduced considerably if our tires are correctly used. Enhanced safety in connection with the increasingly demanding extraction of oil and gas in deep-sea environments and protecting infrastructure, such as bridges, tunnels and harbors, are other areas where our solutions bring benefits.

Leadership is a recurring theme in all of our excellence programs. The skills and dedication of employees are key to the success of the Group. This is also why we work intensively with education, training and our talent management program to attract, develop and retain competent employees.

We also focus on diversity in various ways. Above all, it is important to have a good mix of employees with different cultural and religious values and geographic domiciles who reflect our global operation. At present, more than 80 percent of our operational managers have an international background; a share that will continue to grow. We also want to make our female employees more visible and we are thus working intensively with training and internal mentorship to increase the proportion of female employees in senior positions.

While we have not yet completed our work to strengthen the Group using our strategic initiatives, we have made considerable progress. I am naturally pleased to see that the result of our improvement efforts can already be seen in our accounts. In 2012, we achieved our best result ever. Sales in 2012 increased slightly and amounted to just over SEK 21 billion; an increase that confirms that we, in the relatively difficult market climate that prevailed during the second half of the year, continued to capture market share in several key segments. Operating profit also continued to increase in 2012, reaching SEK 2.3 billion. The operating margin rose to 11 percent – our best margin to date. Our long-term change program focusing on selecting segments and a better geographic balance can not only be seen in the improved earnings when volumes increase, but it also gives us resilience in more challenging times.

Despite a historically high level of investment, our cash flow was also healthy as a result of intensive efforts to optimize our working capital in various ways and a strong result. We were thus able to reduce our indebtedness and continue to improve our equity/assets ratio. We now have satisfactory financial strength that offers us significant opportunities to continue to aggressively strengthen our positions. It also enables the Board to propose a raised dividend of SEK 3 per share to the Annual General Meeting.

The Trelleborg share comfortably outperformed the stock exchange index for the 30 largest Swedish public companies in 2012. Naturally, a factor behind the positive share performance was the improved earnings. However, our change work in recent years has enhanced the attractiveness of the company in the eyes of the capital market. I don't think that we have ever met as many investors as we did in 2012. More analysts than ever before are monitoring Trelleborg. In 2012, for example, two new international banks, Berenberg and Citigroup, began following us. We also developed a new innovative app during the year that enables investors to quickly and easily access all financial information about Trelleborg. We are among the first in Europe to utilize this new way to actively communicate with our shareholders and investors. It is free to download from Appstore and Google Play. It will allow you, for example, to read our report for the first quarter that we published only a few hours ago.

In the report, we describe a strong first quarter despite weaker external market conditions. Net sales declined by 6 percent. Although sales were lower in the majority of the Group's operations, they were in line with or slightly better than the general market trend.

Operating profit, excluding TrelleborgVibracoustic, amounted to SEK 639 M. This represents a decline of 4 percent in relation to the year-earlier period. The decline is entirely attributable to exchange-rate effects in conjunction with the translation of the earnings of our foreign units. Without these, our operating profit would have increased. The lower sales and exchange-rate effects thus negatively impacted operating profit, while improved cost efficiency had a positive impact on earnings. The operating margin was strengthened and totaled 11.8 percent, which is the best margin to date for the first quarter. If we add our participation in TrelleborgVibracoustic's earnings, our operating profit increased to SEK 749 M and our margin to 13.9 percent.

Behind our strong earnings trend is a Group undergoing continuous improvements with a flexible cost base that can be adapted to the prevailing economic situation, leading positions in attractive market segments and a better geographic balance that gives us scope to act in the future.

It is not possible to provide a clear full-year forecast for Trelleborg. There remains a considerable degree of turbulence in our markets and the situation only enables short-term planning, despite certain signs of improved stability. However, we are carefully monitoring trends and are well positioned to tackle various scenarios, which I believe that our first-quarter result shows.

I hope that today I have managed to convey that we have an operational strength and financial stability that provide us with good opportunities to act, even in more difficult times – strength that naturally also gives us robust scope for action in a better economic climate.

We have achieved much over the past year, but we are far from satisfied. So all of my staff and I will continue tirelessly to work with the same strategic priorities as before to make our Group even stronger and better.

Because – as I said at the very beginning – change, like continuity, is the foundation of our success. I am highly motivated for the task ahead, but I am also grateful for the confidence shown in us.

Thank you for your attention.