

President's address to the 2011 Annual General Meeting

We have a highly favorable year behind us. We bolstered our sales, margins and return, which was not just the result of actions taken in 2010, but also of a goal-oriented and structured effort in recent years. This has involved positioning ourselves for profitable growth by strengthening the Group's future competitiveness and ability to deliver value to its customers, shareholders and other stakeholders.

Today, I will present our achievements to date. We now have a focused industrial group that not only performed well in 2010, but also enhanced its position with an improved global balance and a more efficient structure. This is my principal message today.

Our operations are based on sealing and damping in selected segments and thus protecting people, machinery and investments in demanding environments worldwide, with the aim of creating safer, more secure, more comfortable or better environments. This is a business concept that may be more distinguished today than ever before, whereby we have combined our unique applications expertise with our polymer technology. So allow me to commence with a film demonstrating how we seal, damp and protect by using such polymer properties as flexibility, friction and elasticity.

In summarizing our strong 2010, we noted a rise in sales following a challenging 2009. If we compare our growth with our financial targets, our organic growth is to exceed 5 percent annually over the period of a business cycle. And following a couple of challenging global years, we easily surpassed the target in 2010 with organic growth of 17 percent. This increase was naturally attributable to a recovery in the global economy after the financial crisis. However, the increase was also a result of our success in capturing market shares. The rise largely occurred in our prioritized, rapidly expanding economies outside Western Europe and North America. And it primarily derives from segments in which we want to grow and secure a leading position.

We also succeeded in achieving the operating-margin target, particularly as a result of higher volumes. Although this was also attributable to long-term investments in an improved structure and effective operational governance when the crisis took hold in 2008, when we rapidly adapted our capacity and focused on the most valuable businesses and customers. The reduced cost level subsequently generated positive earnings results when volumes gained momentum.

Return on equity increased to 11.9 percent, which is extremely close to the target of 12 percent.

In 2010, we were also able to continue to deliver strong operational cash flow, which totaled nearly SEK 2.2 billion.

Today, we have a stable balance sheet compared with a previously relatively low debt/equity ratio of 53 percent. This enables us to remain active during the structural transition that is under way in our fragmented sector and thus continue to strengthen our global positions.

Our stable financial position allows us to propose a dividend of SEK 1.75 per share for 2010 at today's Annual General Meeting. This figure lies within the range stipulated in our dividend policy. Although this is at the lower end of the policy with which we comply, it enables us to continue to advance and strengthen our global positions.

Behind the strong earnings in 2010 lies a structured effort in recent years to create a modern, focused industrial group that is well positioned with an improved geographic balance and a more efficient structure.

Leading positions in selected segments are the cornerstone of the Group's growth and profitability trend. Today, we are active in a number of attractive segments, which are positively impacted by a variety of major global trends including:

- Increased global population and urbanization, particularly in the emerging economies in Asia and Latin America, which are growing at the expense of the traditional industrialized countries. We are also noting an expanding middle class, especially in the rapidly growing areas of the world with better living standards, and thus an increased consumption of high-quality products.
- The global economy is growing and the polarization continues between the different areas of the world that I just mentioned. Globalization is also fueling the demand for transport solutions since goods are currently often produced in one place to subsequently be consumed in another.
- Increased economic growth is also driving higher demand for limited resources, such as base commodities and energy. This, in turn, fuels investments in technology aimed at everything from extracting energy from increasingly demanding locations and developing renewable fuels, to new methods of creating energy.

These trends are bolstering demand in all of our segments. In offshore oil and gas, we are noting how the demand for energy is increasing investments in oil extraction at ever greater depths. Globalization, new emerging economies, neglected investments and urbanization are propelling demand for such infrastructure as harbors, roads, bridges and tunnels. The agricultural sector is increasingly operated by ever larger agricultural companies and driven by higher investments in biofuels. The transport sector is fuelled by rising growth and global trade. Similarly, the aviation industry is also upgrading its fleets. Light vehicles are primarily driven by increased demand from the new emerging markets, which also imposes requirements on a more encompassing global presence in all respects. In addition, we are observing greater demand for solutions that make cars quieter and more comfortable. The general industry is fuelled by stronger economic growth, particularly in such areas as energy, foodstuffs and life sciences.

We draw strength from our broad and balanced exposure to three different customer categories with various driving forces, which provides us with a major advantage. This encompasses everything from capital-intensive investments in such areas as infrastructure and oil production, to various industrial input goods. The final third of our sales are to the automotive industry.

We are shifting resources to the segments in which we have a distinct advantage over our competitors. Where customers have exacting demands for solutions to seal, damp and protect. Where we have the ability to expand through acquisitions, proprietary investments or underlying growth. Where we have a global competitive advantage and where we can achieve a leading position. All of which is an effort to best capitalize on our resources.

We are expanding in several dimensions. We are growing through new customers in existing or new market segments, and in new geographic markets. We are growing by way of new distribution channels, particularly digital ones; by developing our brands and our customer offering, and by increasing our range of services in selected markets.

We are also developing new applications that seal, damp and protect. Allow me to demonstrate a few examples. Do you remember the Trelline product that I showed you earlier? Our flexible and thus safe and cost-efficient solution for transporting oil between platforms and ships in an offshore environment. We are noting rising volumes in this area. Just recently, we secured a new order from Angola, for example. The order was the largest to date for this specific product, worth more than SEK 300 M. But above all, we have embarked on the next step. Developing Trelline for liquid gas, which is a major market that imposes considerable demands on our engineers since the material must handle the transport temperature of the liquid gas, which is 170 degrees below zero.

We are also the world leader in tunnel seals and a selected global partner to companies designing submersible tunnels. Here, we offer unique solutions that withstand major depths and considerable seismic activity. And we are currently expecting confirmation of an order for the world's longest submersible tunnel to date, between Hong Kong and Macau.

In Automotive, we have developed a new engine mount that absorbs the vehicle's vibrations. We have succeeded in replacing the metal mounts that secure our rubber damping products with a thermo plastic that reduces both production costs and fuel consumption. We have already secured orders from several major automotive manufacturers, although serial production will take a little longer.

Trelleborg Wheel Systems has launched TM Blue, which is a tire concept that is emblematic of our tires' environmental advantages. The tires were developed to minimize their environmental impact through lower fuel consumption and less impact on the ground, thus increasing agricultural productivity. The tires are also manufactured in the most environmentally-friendly method possible.

We are harnessing new channels to strengthen our customer relationships, including our websites and social media sites such as Facebook and Twitter. And we recently launched the mobile application Trelleborg Gateway, which makes it easier for customers to maintain contact and communicate with us. If you haven't already done so, you can see more about this in the video in the entrance hall. For example, Trelleborg Sealing Solutions has built an online service in 18 languages where customers can personally design their own sealing solutions. This facilitates matters for us and is appreciated by our customers. This service has proven a phenomenal success and we now have 60,000 unique visitors to our website each month. Some 1,000 new users register each month. In 2010 alone, the service generated 4,500 inquiries. Our customers are quickly becoming accustomed to our new service and we want to continue to support them, thus encouraging the purchase of even more seals from us. Accordingly, we are creating a support center in India, which will initially feature 25 employees who will handle all of the inquiries received and continue to provide better support than our competitors, 24 hours a day, seven days a week.

To accelerate our shift into attractive segments, we are also conducting supplementary acquisitions. Since 2006, we have completed 38 such acquisitions, which generate combined sales of nearly SEK 6 billion. In 2010, we acquired: Lutz, which strengthens our positions in precision seals in the US. Polyurethane Products, which reinforces our positions in infrastructure and offshore oil and gas. Watts, which enhances our bearing as the leading global supplier of industrial tires. And in China, we bolstered our presence in agricultural tires through the acquisition of a Chinese subsidiary to MIT in the US. The subsidiary is located in Xingtai, about four to five hours southeast of Beijing by car. In 2011, we have already completed the acquisition of a subsidiary of Veyance Technologies in Brazil, which enables us to begin manufacturing oil hoses locally in that country. Brazil is expected to be the world's largest offshore market within a couple of years. We also acquired Silcotech, which produces precision seals in liquid silicon to thus strengthen our presence primarily in the pharmaceuticals industry.

The Group initiated a considerable path to change when we signed a letter of intent with Freudenberg in early 2011 concerning the consolidation of our operations for anti-vibration solutions for vehicles under a new company in which we will each have a 50-percent stake. The new company, which will be completely independent, will comprise our anti-vibration solutions and Freudenberg's corresponding Vibracoustic operations. The world-leading company is expected to generate sales of more than SEK 12 billion with nearly 8,000 employees in 17 countries. Under the transaction, about 75 percent of Automotive's current sales will go to the new company. The company will be able to offer its customers that market's ultimate geographic presence and the most expansive product portfolio. The new company will be a global leader in anti-vibration solutions to the automotive industry. It will be cost and capital effective, with a distinct focus on innovations and continued growth. This transaction is not complete yet, and number of issues to remain to be solved, on which we are working intently. However, I have no doubt that once the transaction is finalized, it will create value for customers and

thus for Trelleborg and its shareholders. This is because the new independent company will be able to focus entirely on its core operations of anti-vibration solutions. And we will draw gains from the earnings created by the company. Trelleborg's other operations will have a tremendous opportunity to focus on the development of our selected segments. I am convinced that this will bolster our overall earnings.

In the past five years, we have discontinued a number of operations in various ways that are not compatible with our strategy. In 2010, we accelerated this trend and discontinued operations including: Radiator hose operations in Automotive, which generated sales of nearly SEK 1.5 billion. Waterproofing operations with sales of SEK 900 M, and our brake hose operations in Brazil.

We have also improved our global balance. We are currently active in more than 40 countries on all continents. We have sharply increased our presence in the emerging markets in Eastern Europe, Asia and Latin America. We were somewhat late in this process, although we have offset this in recent years with a high level of investment in these countries. And this has generated results. We are expanding worldwide, but above all in the new emerging markets. In Asia, we increased sales by 157 percent since 2005. In South and Central America by 110 percent and by 60 percent in the former Eastern Bloc.

In these countries, we have invested in a number of new establishments and new investments are already in progress. Trelleborg Engineered Systems has also, for example, begun investing in specialized production for printing blankets in Brazil, the aim of which is to create local growth geared toward the graphics industry. In the same location, we have started producing oil hoses. The oil industry is growing quickly in Brazil. Accordingly, just north of Rio de Janeiro, we have also decided on an investment in a new production unit for other offshore products for the deep-sea extraction of oil and gas. Engineered Systems has also decided on an investment in a unit for the development and manufacturing of infrastructure solutions for telecom and industrial anti-vibration products in Bangalore in southern India. In Bangalore, Trelleborg Sealing Solutions is also establishing the support unit that I mentioned earlier, adjacent to a new plant to increase and enhance the efficiency of its capacity in India, where we outgrew our former plant. And in Huizhou in southern China, where we gained a presence through the acquisition of Silcotech. In Xingtai, Trelleborg Wheel Systems is initiating production in China as the first Western-owned manufacturer of agricultural tires. Trelleborg Automotive also remains active in Asia. The business area has established an entirely new research and development center in Shanghai. Automotive is also reinforcing its globally leading position in AVS for light vehicles by, as the first non-Russian company, commencing proprietary manufacturing in the Russian city of Nizhny Novgorod, a few hours east of Moscow.

In summary, since 2005, we have achieved a more consistent geographic distribution of our sales, whereby the new growth markets increased their share of our sales by 13 percentage points. On a five-year horizon, it is reasonable to aim for a balance of 40 percent of sales deriving from Western Europe and the new markets and the remainder from North America. Naturally this will result from growth in these markets but also because we have not yet fully capitalized on the resources that we have amassed in Asia, South America and the former Eastern Bloc, which continue to rise.

Today, we have a more structured and efficient Group. A significant share of the aforementioned investments in globalizing our operations was made in new production units in the new emerging markets. At the same time as we established these units in the new emerging markets, we have discontinued more than 30 production units in various ways in Western Europe and North America. This has enabled us to not only grow closer to the prioritized markets but also to create a better production structure with fewer, more modern, focused and rational units that can supply our global customers with products and solutions. In 2010, as a result of the improved structure, we were able to deliver better margins than before the crisis. Despite lower volumes than before the crisis. And I am convinced that we will continue to be able to profitably handle increased volumes in an efficient manner under our new and improved production structure.

In the past five years, we have been working proactively to modernize our operations into a well-positioned, global and efficient industrial group. We will now continue to adapt to a constantly changing world by regularly evaluating: our production structure, to ensure that it is rational, adapted to demand and correctly positioned. And perhaps most importantly, to choose attractive segments in which we want and are able to create dominant positions. This will require us to continue to leave certain market segments to focus and bolster our presence in other areas in which we foresee better potential, allowing us to create value for the company and thus also shareholders.

However, this cannot be achieved without competent individuals in the organization. Accordingly, one of my key tasks is to enhance the Group's level of expertise in the long-term. As part of this effort, we will leverage all of the skills in the Group and increase the number of women in executive positions. This will be achieved through specific measures such as a mentor program. A reasonable goal is to have an equal percentage of female and male managers in the Group, and the percentage of international managers is just as important. More than eight of ten operational managers are already non-Swedish. And we continue to pursue a multicultural company with a myriad of nationalities and a local presence in the countries in which we are active. This will ultimately require us to have more executives from Asia, Latin America and Eastern Europe to best harness the opportunities available in these markets.

The first quarter was exceptional. We continued to improve our margins. Increased sales and a more efficient structure allowed us to report one of our best quarters, with an EBITDA margin of 12.1 percent, excluding items affecting comparability.

Furthermore, demand was highly favorable during the first quarter in most segments. Increasing costs for base commodities were satisfactorily offset by higher prices and bolstered volumes. And, as I mentioned earlier, we experienced a high level of activity in acquisitions and divestments. Organic sales rose in a comparable structure by 19 percent. Operating profit was up 32 percent.

And in conclusion, earnings per share amounted to SEK 1.55.

In the longer term, prospects remain strong. As a focused industrial company, we have a stable foundation that provides us with the freedom to move. Demand is forecast to continue growing at a high rate in the emerging markets. Stronger growth is expected in North America, at least in the short term, while the trend in Western Europe is dichotomous and more difficult to assess. The global economy continues to benefit from low interest rates and substantial fiscal policy stimulus packages, the effects of which will taper off during the year.

However, we face uncertainties in the form of increased inflation, particularly rising prices of base commodities, political unrest in certain parts of the world and a risk of financial uncertainty stemming from a continued strained budgetary scenario among several countries. If these risks are kept somewhat in check, I foresee strong possibilities for increased growth and improved earnings.

Finally, I would like to thank all of my colleagues for their exceptional efforts. And all of the shareholders for the support and confidence you showed during the transition of our Group. Without you, we would have been unable to build a focused industrial group that delivers strong earnings. We all have high expectations for the future. And all of my colleagues and I will do our utmost to realize these expectations.

Thank you for your time.