

Report by the Board of Directors on **Internal Control**

The responsibility of the Board of Directors and the President for internal control is regulated in the Swedish Companies Act. The Board's responsibility is also regulated in the Swedish Code of Corporate Governance, which also includes requirements on annual external information disclosure concerning how internal control is organized insofar as it affects financial reporting.

Internal control

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 financial 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).

The control environment includes the values and ethics upon which the Board, the Audit Committee, the President and Group Management bases 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 that are important elements of Trelleborg's control environment, are outlined on pages 12-15 and 104-105. 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.

The first component of Trelleborg's process for internal control, risk assessment, is described on pages 40-43.

The second component, control structures, relates to the controls that have been chosen to manage the Group's risks. Examples of various types of control strategies that are applied in the Group can also be viewed on pages 40-43.

The third component of Trelleborg's process for internal control, information and communication, pertains to both internal and external information and communication. Internal communication begins by creating awareness among the Group's employees regarding external and internal steering instruments, including responsibilities and authority. Important tools to achieve this include Trelleborg's intranet and training of the Group's employees, which in 2007, has focused heavily on training in the application of the Group's Code of Conduct and competition regulations. For further information, see pages 95-96. Internal communication also requires that the information generated by Trelleborg's process for internal control is fed back to Trelleborg's Board, Audit Committee, President and Group Management as a basis for them being able to make well-founded decisions. In 2007, Trelleborg introduced a process in which the Group's employees verify their compliance with the Group's policies. Trelleborg also has a Whistle-blower Policy entitling every employee, without fear of repercussions, to report suspected infringements of laws or regulations.

The Group's CFO and the head of the Internal Control staff submit reports to the Audit Committee, which in turn, reports to the Board.

External communication consists, for example, of reporting to authorities and external financial reporting.

The fourth component, follow-up, aims to secure the effectiveness of the process through a number of different activities, such as follow up of the operation in relation to established goals, self-evaluations, audits and other follow-up activities.

Internal control over financial reporting

Internal Control as regards 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 that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements on listed companies.

The following description has been prepared in accordance with the Swedish Code of Corporate Governance and current application regulations, and constitutes the Board of Director's report on internal control over the financial reporting.

This report on internal control over the financial reporting has not been audited by the company's auditors.

Control environment

The Board of Director's bears the overall responsibility for internal control relating to 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 that established principles for financial reporting and internal control are adhered to and that appropriate relations are maintained with the company's auditors. The Board has also established Priority areas 2007 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 reports to the Audit Committee and Trelleborg's CFO, and comprises a support function in work on internal control over financial reporting within the Group's companies and business areas.

Internal steering instruments for financial reporting primarily comprise the Group's Treasury Policy, Communications Policy and

Priority areas 2007

The Internal Control staff function comprises a supportive function in the work on proactively and continuously developing and improving Trelleborg's process for internal control. The focus of the function's work was on risks and internal control over financial reporting, but also included non-financial risks and the related internal control. Focus areas of 2007 were:

- Clarifying the business areas' responsibility for local processes.
- Self-evaluation in the Group's subsidiaries and business areas, which in some cases is supplemented by independent examination by external auditors/consultants.
- Follow-ups of the Internal Control staff function.
- Training and networks.

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. The minimum requirements for internal control over financial reporting pertain to a number of defined business processes and include approximately 300 requirements.

Risk assessment

Trelleborg's risk assessment regarding financial reporting, meaning the identification and valuation of the most significant risks concerning financial reporting in the Group's companies, business areas and processes, constitutes the basis for how these processes shall be managed. Risk management can be accomplished by the risks being accepted, reduced or eliminated, with requirements on controls and control levels within the limits established by the Board, the Audit Committee, the President and Group Management.

The risk assessment regarding financial reporting is updated annually under the direction of the Internal Control staff function and Internal Audit, and the results are reported to the Audit Committee.

Control structures

The significant risks identified with regard to financial reporting are managed through control structures in the companies, business areas and processes that aim to ensure that fundamental requirements of the external financial reporting are met. The control structures are based on the Group's minimum requirements for internal control with regard to financial reporting and consist of both general and detailed controls and can be both preventative and exploratory in nature. The control structures in the business areas and processes are documented in process and internal control descriptions.

Information and Communication

Information and communication regarding internal steering instruments for financial reporting are provided on Trelleborg's intranet, which is available to all employees concerned. In 2007, the Internal Control staff function drafted a training program that will be carried out in 2008. The aim of this program is to increase knowledge about

internal control throughout the Group and to show how effective processes combined with well-conceived internal control can be built using systematic support. Another objective of the training is to stimulate networking and the exchange of experiences with regard to these issues throughout the Group.

Trelleborg's CFO and the Head of the Internal Control staff function have reported the results of their work on internal control over financial reporting 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.

Follow-up

Follow-up to ensure the effectiveness of internal control over 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. Follow-up takes place both informally and formally and includes the follow-up of monthly financial reports on budgets and targets as well as quarterly reports on results from self-evaluations, which in certain cases are supplemented by independent examination by external auditors/consultants, and follow-ups by the Internal Control staff function. The self-evaluations cover about one hundred subsidiaries, but with less extensive demands for the approximately sixty small subsidiaries.

Trelleborg has developed and introduced a Group-wide reporting system for work on internal control over financial reporting. Quarterly reporting provides a consolidated view of compliance of Group subsidiaries with the minimum requirements of internal control as regards financial reporting for identified significant risks and also provides information regarding the status of the subsidiaries' efforts.

Trelleborg, February 14, 2008

The Board of Directors of Trelleborg

Internal control over the financial reporting

