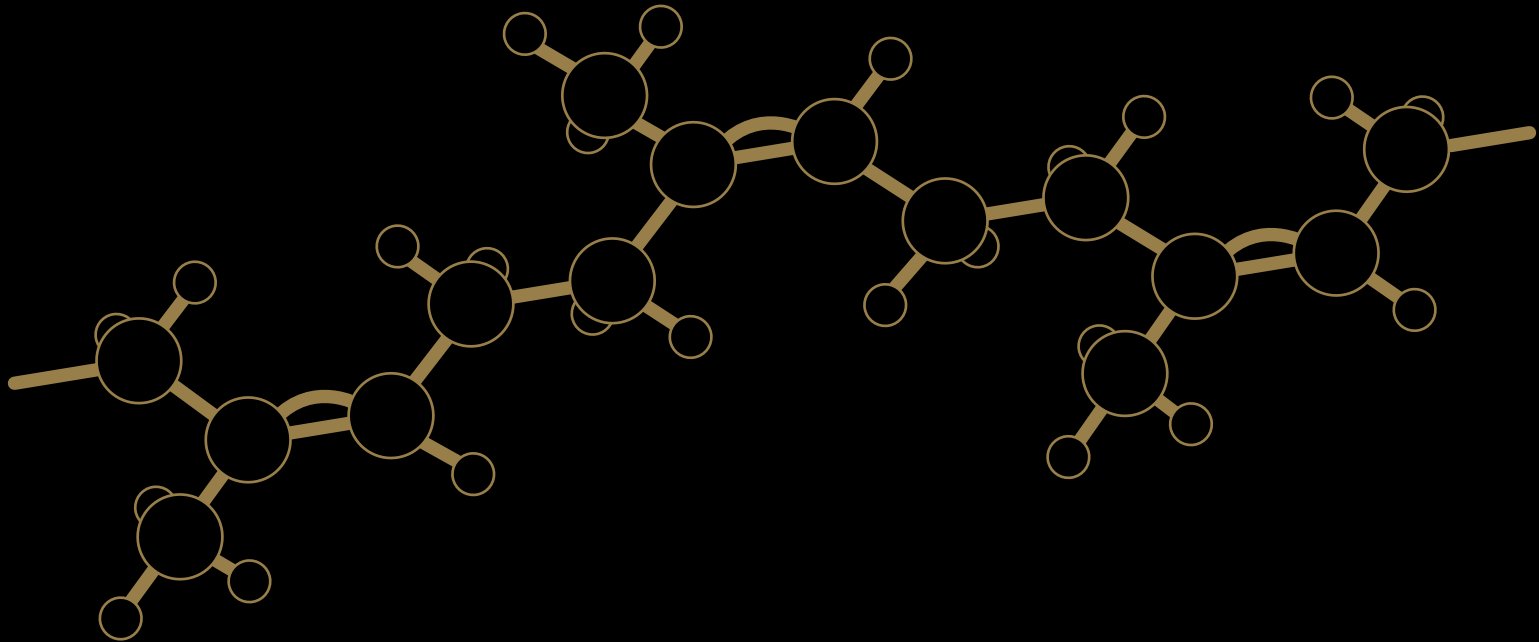




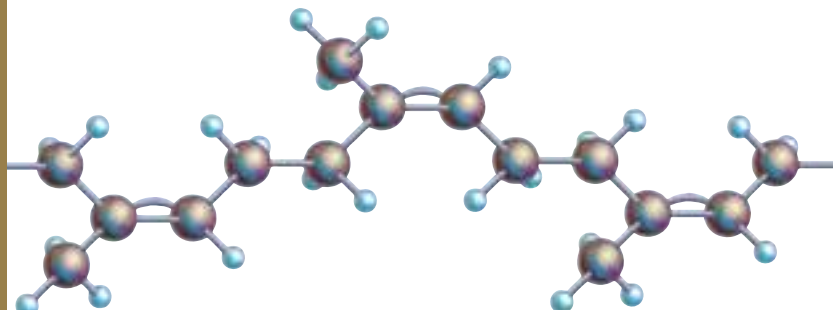
# Annual Report 2013



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# Introduction and the val



## Trelleborg seals, damps and protects critical applications in demanding environments



Trelleborg uses its technical leading-edge expertise and applications knowledge to engineer polymers, mainly rubber, composites and plastics. Our applications expertise is based on custom-designed polymer solutions that seal, damp and protect critical applications by being durable, elastic and robust. *Learn more about rubber and its fields of application by scanning the above QR code. Read more how polymers seal, damp and protect on page 24.*



■ Audited Board of Directors' Report, pages 1-23, 44-61 and 66-101.  
 ■■ Reviewed Corporate Responsibility Report, pages 6-7, 40-43, 62-65 and information that refers to the GRI index on page 104.

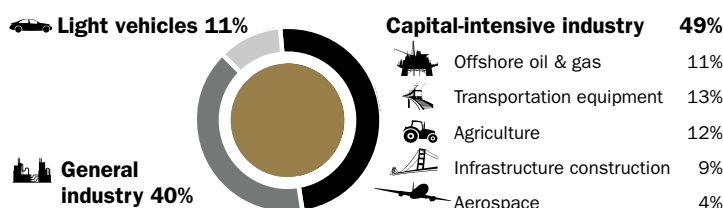
# to Trelleborg uses we create



## A world leader in engineered polymer solutions

Trelleborg commands leading positions in selected market segments to which it supplies advanced products and solutions. *Read more about the Group's market segments and examples of applications on pages 26-33.*

### Share of the Trelleborg Group's sales in 2013



## Our innovative engineered solutions accelerate performance for customers in a sustainable way

Trelleborg generates value through leading-edge polymer engineering expertise, a focus on innovations and a number of critical competencies. Within its selected segments, Trelleborg is the leader in the fields of applied polymer engineering and materials technology. *Read more about Trelleborg's value generation on pages 24-25, 34 and 38-39.*

Key figures, continuing operations, SEK M	2013	2012
Net sales	21,473	21,262
Operating profit, excluding items affecting comparability and the participation in TrelleborgVibracoustic	2,613	2,342
Operating margin, %	12.2	11.0
Items affecting comparability	-410	11
Participation in TrelleborgVibracoustic	355	109
Operating profit, including items affecting comparability and participations in TrelleborgVibracoustic	2,558	2,462
Operating margin, including items affecting comparability and participations in TrelleborgVibracoustic, %	11.9	11.6
Operating cash flow	2,162	2,248
Return on capital employed, excluding items affecting comparability and participations in TrelleborgVibracoustic, %	15.2	13.9
Average number of employees	14,827	13,905

# 2013

## A profitable year

2013 was a profitable year for Trelleborg. Sales and earnings increased and the operating margin was the highest to date for the Group. Return on equity also reached a satisfactory level. Trelleborg is therefore close to, or in line with, its long-term profitability targets.

## Strengthened market positions

The Group's market positions were generally maintained or improved during the year. Activities to achieve leading positions in selected market segments continued, mainly on the basis of organic initiatives. Meanwhile, the Group moved downstream in the value chain, toward increasingly advanced products and turnkey solutions.

## Solid financial base

Trelleborg has a solid capital structure. The financial strength of the Group is adequate, providing it with the freedom and scope for continued activities to improve positions in the years ahead.

## A focused organization

The operational organization established two years ago is functioning effectively and has helped to strengthen the focus on the market and earnings. Integration activities in the TrelleborgVibracoustic joint venture are proceeding according to plan and the company reported healthy organic growth and a distinct improvement in earnings. *Read more about the business areas on pages 12-21 and TrelleborgVibracoustic on pages 22-23.*

Trelleborg AB is a public limited liability company. Corporate Registration Number: 556006-3421. The Group's headquarters are in Trelleborg, Sweden. This is a translation of the company's definitive Annual Report for 2013 in Swedish.

All values are expressed in Swedish kronor. Kronor is abbreviated to SEK and millions of kronor to SEK M. Unless otherwise stated, figures in parentheses relate to the preceding fiscal year, 2012.

All figures in the section "The Group in brief" and "Business areas" relate to continuing operations, unless otherwise stated.

This report contains forward-looking statements that are based on the current expectations of the management of Trelleborg. Although management believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove correct. Accordingly, results could differ materially from those implied in the forward-looking statements as a result of, among other factors, changes in economic, market and competitive conditions, changes in the regulatory environment and other government actions, fluctuations in exchange rates and other factors.

**Index with reference to Global Reporting Initiative (GRI):** An indicator in parentheses signifies a partially reported indicator. Indicator categories: EC=Economic, EN=Environmental, LA=Labor Practices and Decent Work, HR=Human Rights, SO=Society, PR=Product Responsibility. "Governance EC, EN, LA, HR, SO, PR" entails reporting of the indicator "Disclosures on Management Approach."

This Annual Report was produced in collaboration with Grayling in Malmö, Sweden, has the Nordic Ecolabel and was printed by NP-truck in Helsingborg using printing blankets from the Trelleborg Group and vegetable-based inks. Translation by The Bugli Company.

# Our leading positions are generating

2013 was the most profitable year to date for the Trelleborg Group. This positive trend was attributable to a certain degree of recovery in the global economy and our continued work to build leading positions in selected segments, as well as our persistent internal improvement efforts. These successes lend the Group a strength and stability that motivate an intensified future emphasis on growth and innovation in several dimensions.

2013 again provided us with confirmation that the Trelleborg Group's long-term work on the many small steps of everyday improvement, combined with structural changes, is generating results. Our sales increased, which was reflected in both structural and organic growth. In other words, Trelleborg grew in a weak market environment.

Operating profit increased even more and we achieved our highest operating margin to date. The return on shareholders' equity also reached a satisfactory level. Accordingly, we are near to or in line with our profitability target. Cash flow remained at a satisfactory level, which is evidence that our cost and capital efficiency programs are yielding results.

Most of the business areas made a contribution to this positive trend. Integration work in our joint venture company TrelleborgVibraacoustic proceeded to plan and the company recorded healthy organic growth and a clear improvement in earnings.

It is gratifying to note that the Trelleborg share performed well during the year. The share traded at an all-time high at the end of the year and the price paid increased 59 percent.

**Continuity and improvements.** Continuous improvements in small steps and strategic continuity are the basis for the success of the Trelleborg Group. We have the same overall approach and business concept, and are working with the same strategic cornerstones as before. We are continuing to improve our global reach which, combined with a strong local presence, makes us an attractive partner in our customers' endeavors to become better, sell more and improve profitability. The same forces drive us daily to see things that we can do smarter, more simply and more rapidly.

**Growth in focus.** A business trend that promises firmer ground in the future means that we can intensify our initia-

tives to create growth. We will achieve leading positions through focused organic growth, supplemented by bolt-on acquisitions, while at the same time, moving downstream in the value chain.

We will also invest even more in developing increasingly advanced products and turnkey solutions based on closer cooperation with customers starting from the early phases of development. It is important for us to be bold enough to take the lead and create market trends and influence customers' demand patterns, not merely seek to follow them. This will lead us toward a focusing and deepening of the business rather than a broadening. Our traditional motto of "critical applications in attractive and profitable market segments" will gain greater relevance in combination with the term *Premium Positioning*: to lead and develop the segments in which value creation is greatest.

**Intensified rate of innovation.** A significant competitive factor for achieving *Premium Positioning* is our innovative capacity. We have a unique global network of development units close to our customers that is growing in pace with our market positions. We have significantly increased our pace of innovation to accelerate our customers' performance and to support them in being one step ahead. This trend encompasses and also strengthens our sustainability commitment.

However, innovation to us does not only involve products and applications. Equally important in a digitized world is innovation in our interaction with customers and making it easy for customers to do business with us. Already now, we are offering digital solutions, such as three-dimensional CAD/CAM, which facilitates customers' design work. We are strengthening our professional relationships with customers' designers. Put another way, our solutions simplify our

customers' work. These are activities to which we continue to assign priority.

This brings me to three key challenges. Firstly, customer relations. Once we have established a good relationship with a customer, this represents a significant investment for both us and the customer, thus creating a high entrance threshold for competitors. We must become even better at developing this value capital. It is important to be at the front of the line when a customer need arises. Preferably before the need emerges. Our sales skills must be honed further, our service offering developed and new technical opportunities for communicating with customers must be better utilized.

## “Equipping ourselves for future challenges”

Customer relations are dependent on our geographic balance. We are a local company in those markets in which we operate, while we also offer global reach. There is no doubt that the center of gravity in the global economy is moving eastwards toward Asia, although at a slightly slower pace than before. We must continue to increase our presence in these markets. We need to be close to our customers for continued value creation.

The third challenge comprises the employees of the future. In Western Europe, we are heading toward a crisis in the supply of young engineers as those born in the 1940s retire and the number of newly qualified engineers declines.

Accordingly, Trelleborg is making its largest ever investment in training. During the year, we launched the *Trelleborg Group University*, which gathers an

# results

extended range of programs and courses at Group level in such areas as leadership, production, purchasing and sales. The aim is to provide people who are already employed with competency development and to thereby capitalize on the talent that exists within the Group.

**Trust is related to social responsibility.** Our focus on people and competency development is thus central to our long-term assumption of responsibility. These are matters that are growing in importance. Trust in Trelleborg and our commercial success are strongly linked to us taking our social responsibility. Our corporate culture is characterized by respect for people's differences, secure employment terms and sustainability in all dimensions of our operations. This encourages commitment, the assumption of responsibility and good ethics in all relations.

**Outlook.** At the start of 2014, the economic signals and assessments provide hope of the global economic trend entering a more stable and positive phase during the year. However, at the time of writing, this is not yet evident in our order books. Significant risks of continued financial imbalances remain. Many countries are implementing intense austerity policies to clear debts and political and social problems are arising as a result of high unemployment. Accordingly, the Trelleborg Group continues to maintain a high level of preparedness and flexibility to manage the shifting market conditions.

Based on this, no clear forecast can be made for Trelleborg in 2014. But the Group's favorable market positions, strong product and service offering, motivated employees and financial stability provide favorable conditions for positive development when the economy turns around.

My colleagues and I are looking forward to 2014 and will work hard to ensure continued value creation in the Group.

*Trelleborg, February 2014*

*Peter Nilsson, President and CEO*



# Strong stock market trend for Trelleborg

The Trelleborg share performed well during the year and reached an all-time high in December 2013.

The Swedish stock market reported a positive trend during 2013, partly due to the gradual recovery of the global economy and favorable economic signals from several key countries. In early December 2013, the Trelleborg share was added to the OMX Stockholm Benchmark index (OMXSB), which includes the largest and most traded shares on the stock market. The share reached an all-time high in late December. NASDAQ OMX Stockholm rose 23 percent (10)<sup>1</sup>. The price of Trelleborg's Series B share rose 59 percent (33).

**Long-term and favorable yield.** The total yield for Trelleborg's Series B share was 64 percent, compared with 28 percent for the SIXRX index<sup>2</sup>. Over the past five years, Trelleborg's Series B share has averaged a total yield of 53 percent per year. The corresponding figure for SIXRX is 22 percent.

**Share price and turnover.** As well as NASDAQ OMX Stockholm, the Trelleborg share is traded in such marketplaces as Burgundy, Chi-X, Turquoise and BATS Europe. The NASDAQ OMX Stockholm is the largest, with 68 percent (66) of the share trading.

During 2013, a total of 337 million Trelleborg shares (450) were traded, of which 228 million (296) on the NASDAQ OMX Stockholm.

The total share turnover for the Series B share was SEK 31,615 M (29,674). The average daily turnover on all marketplaces amounted to 1,348,401 shares (1,799,645) or SEK 126.5 M (118.7).

During the year, the highest price was SEK 130 on December 27 and the lowest price was SEK 80.75 on January 16.

**Dividend.** Trelleborg's dividend policy is that, over the long term, the dividend should amount to between 30 and 50 percent of net profit for the year. The dividend is adapted to such factors as the Group's earnings level, financial position and future development opportunities. For 2013, the Board proposes a dividend of SEK 3.25 (3.00), which corresponds to about 55 percent of net profit for the year. Over the past five years, the average dividend has been about 41 percent, while the average yield of the Trelleborg share over the same period has been 2.8 percent per year.

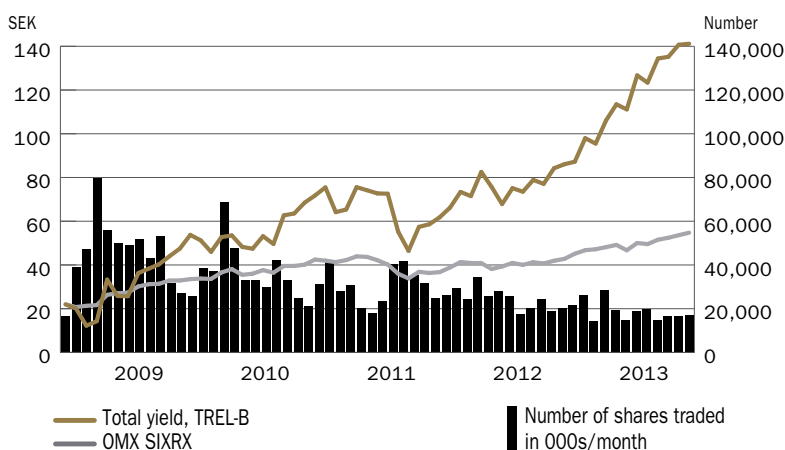
**Shareholders.** Trelleborg's Series B share has been listed since 1964 and is currently quoted on the NASDAQ OMX Nordic List, Large Cap. The share capital in Trelleborg amounts to SEK 2,620 M, represented by 271,071,783 shares, each with a par value of SEK 9.67. Trelleborg has two classes of shares: 28,500,000 Series A shares and 242,571,783 Series B shares. Each

Series A share entitles the holder to one vote and each Series B share to one-tenth of a vote. All of the Series A shares are owned by the Dunker Interests, comprising a number of foundations, funds and asset-management companies created through testamentary disposition by former owner and founder of the Helsingborg and Trelleborg rubber production plants, Henry Dunker, who died in 1962. For further information about the Dunker Interests and its holding in Trelleborg AB, visit [www.trelleborg.com/Investors/The-Trelleborg-Share/FAQ-The-Dunker-interests-and-Trelleborg](http://www.trelleborg.com/Investors/The-Trelleborg-Share/FAQ-The-Dunker-interests-and-Trelleborg).

**Analysts.** For a current list of the analysts that continuously monitor Trelleborg, visit [www.trelleborg.com/Investors/The-Trelleborg-Share/Analysts](http://www.trelleborg.com/Investors/The-Trelleborg-Share/Analysts).

**Further information** about the Trelleborg share can be found at [www.trelleborg.com/Investors](http://www.trelleborg.com/Investors).

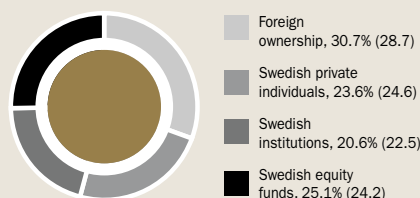
Price trend and trading volume Jan 1, 2009 – Jan 1, 2014



<sup>1</sup> OMXS PI, OMX Stockholm PI, an index for the value of all shares listed on NASDAQ OMX Stockholm.

<sup>2</sup> SIXRX, SIX Return Index, the average trend on NASDAQ OMX Stockholm including dividends.

## Ownership structure December 31, 2013, holding, %



Of the total number of shares, foreign shareholders accounted for approximately 30.7 percent at December 31, 2013, an increase of 2 percentage points since the preceding year.

## Trelleborg AB's ten largest shareholders as of December 31, 2013

No.	Shareholder	Percentage of capital, %	Percentage of voting rights, %
1	Dunker Interests	10.5	54.0
2	Didner & Gerge Equity Fund	5.1	2.6
3	Lannebo funds	4.0	2.0
4	SEB funds	3.4	1.8
5	Swedbank Robur funds	2.8	1.4
6	DFA funds (U.S.)	2.6	1.3
7	SHB funds	2.6	1.3
8	Norges Bank Investment Management	2.5	1.3
9	Nordea funds	2.4	1.2
10	AMF Insurance & Funds	2.4	1.2
<b>Total</b>		<b>38.3</b>	<b>68.1</b>

Source: SIS Shareholder Services.

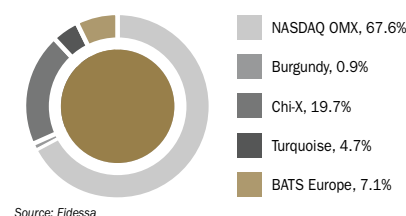
## Key data per share

SEK (unless specified otherwise)	2013	2012	2011	2010	2009
<b>Continuing operations</b>					
Earnings	6.08	6.56	4.88	3.99	1.69
Earnings excl. items affecting comparability	7.40	6.31	5.26	4.49	2.62
<b>Total</b>					
Earnings <sup>1)</sup>	5.93	7.53	6.71	4.29	1.70
Shareholders' equity per share <sup>1)</sup>	54.72	51.56	49.20	44.56	45.25
Dividend per share <sup>2)</sup>	3.25	3.00	2.50	1.75	0.50
Yield, %	2.5	3.7	4.2	2.5	0.9
Market price Series B share December 31, last paid price, SEK	127.90	80.55	59.75	71.10	53.50
P/E ratio	22	11	9	17	31
At December 31	271,071,783	271,071,783	271,071,783	271,071,783	271,071,783
Average	271,071,783	271,071,783	271,071,783	271,071,783	240,699,594

<sup>1)</sup> There were no dilutive effects.

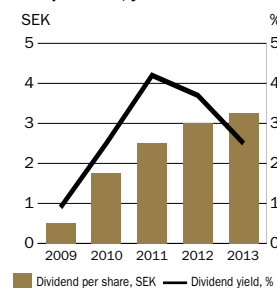
<sup>2)</sup> According to the Board of Directors' and President's proposal.

## Trading platforms for the Trelleborg share, % of total trading



Source: Fidessa

## Dividend per share, yield



## Distribution of shares as of December 31, 2013

Number of shares	Number of shareholders	Percentage of total number of shares, %	Change from Dec 31, 2012, percentage points
1 – 1,000	39,806	79.4	0.9
1,001 – 5,000	8,395	16.7	-0.8
5,001 – 20,000	1,414	2.8	-0.1
20,001 –	578	1.1	0.0
<b>Total</b>	<b>50,193</b>	<b>100</b>	

Share class	Capital, %	Shares	Voting rights, %
Series A	10.5	28,500,000	54.0
Series B	89.5	242,571,783	46.0
<b>Total</b>	<b>100</b>	<b>271,071,783</b>	<b>100</b>

Source: SIS Shareholder Services.

## Sustainability indexes

In 2013, Trelleborg was included in the following sustainability indexes:

- OMX GES Sustainability Sweden
- OMX GES Ethical Nordic
- OMX GES Ethical Sweden
- OMX GES Sustainability Sweden Ethical
- SEB Ethical Cap GI



# Targets for the Trelleborg Group

Toward continued increase in profitability and sustainable growth

Trelleborg has applied new, more ambitious financial targets from the 2013 fiscal year. These targets reflect the Group's ambition to increase value generation and become a world leader in selected market segments and geographic markets, in addition to an assessment of global growth and adequate financial security.

2013 was the most profitable year ever for the Trelleborg Group, despite the fact that the anticipated economic recovery did not materialize. The Group's market positions were strengthened and results were close to the long-term targets set for profitability.

<b>Organic growth <sup>1)</sup></b>	<b>≥5%</b>
<b>Operating margin <sup>1)</sup></b>	<b>≥12%</b>
<b>Return on equity <sup>2)</sup></b>	<b>≥15%</b>

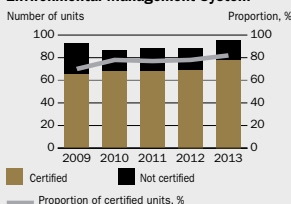
Trelleborg's sustainability initiatives focus on responding to the expectations of customers, owners and other stakeholders in relation to long-term responsibility for the operation's various activities and on products and solutions that contribute to sustainable societal development. These initiatives also reflect efforts to provide a safe and secure workplace as well as to make Trelleborg an attractive employer.

### Environmental management

**Target:** Implement environmental management systems in 90 percent of production units, with ISO 14001 certification for 85 percent.

**Outcome:** 82 percent (78) of the units are certified; 78 units of a total of 95.

### Environmental Management System

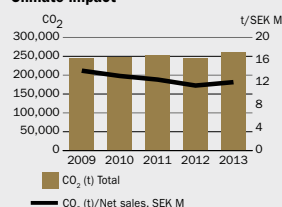


### Climate

**Target:** Reduce direct and indirect CO<sub>2</sub> emissions by at least 15 percent relative to sales by 2015 (base year 2008).

**Outcome:** The base value was 14.1 tons/SEK M. In 2013, the value was 12.1 tons/SEK M (11.5), an improvement of 14 percent compared with 2008, but down 5 percent since the preceding year due to a different energy mix in added production facilities.

### Climate impact



### Safety@Work

**Target:** Occupational injuries and illnesses (defined as Lost Work Cases, LWC, per 100 employees) are to be lower than 3.0 at each production site. The average number of work days lost per injury per year is to be lower than 50 at each individual site.

**Outcome:** The average outcome in 2013 for these indicators was as follows: the number of LWCs per 100 employees was 2.0 (2.49). About 75 percent of the sites had a value of less than 3.0.

The average number of work days lost per injury per year was 29 (25). Some 75 percent of the sites had a value of less than 50.



<sup>1)</sup> Continuing operations excluding participations in TrelleborgVibraacoustic and excluding items affecting comparability.  
<sup>2)</sup> Continuing operations, including participations in TrelleborgVibraacoustic and including items affecting comparability.

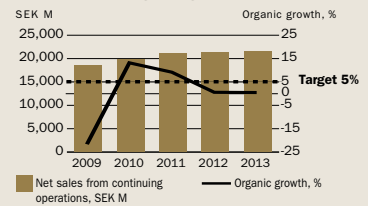




**Target:** The target for the average annual organic growth over an economic cycle is 5 percent or more. In addition, further growth will occur through bolt-on acquisitions.

**Outcome:** In 2013, organic growth increased 1 percent (1). The Group maintained or improved its market positions despite varied rates of growth in different parts of the world.

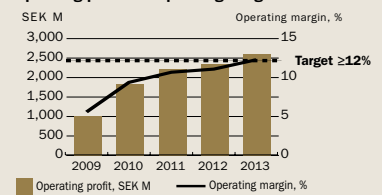
**Net sales and organic growth**



**Target:** The target for the operating margin is 12 percent<sup>3)</sup> or more.

**Outcome:** The operating margin in 2013 rose to 12.2 percent (11.0), due primarily to a relatively stable sales trend and continued favorable efficiency and cost control.

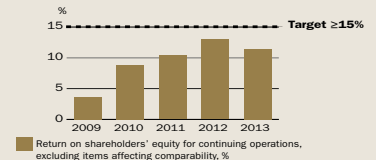
**Operating profit and operating margin**



**Target:** The long-term target for return on equity is 15 percent or more.

**Outcome:** In 2013, return on equity was 11.4 percent (13.0). The year-on-year decline was primarily a consequence of increased costs for items affecting comparability and higher income tax in 2013 combined with a higher average shareholders' equity.

**Return on shareholders' equity**



targets

**Social targets and responsibility**

entation

**Suppliers**

**Target:** Work with suppliers who support the applicable parts of Trelleborg's Code of Conduct; implementation of self-assessment of suppliers corresponding to 80 percent of the relevant global purchasing value of production units, as defined by Trelleborg.

**Outcome:** In 2013, Trelleborg met the target set: suppliers corresponding to 81.4 percent (79.5) of the value as defined by Trelleborg were assessed.

**Transparency**

**Target:** Continuously develop Trelleborg's CR reporting in accordance with Global Reporting Initiative guidelines, at a minimum of Level B+.

**Outcome:** Once again, the 2013 CR report is compliant with GRI Guidelines, version 3, and has been assessed by a third party (PwC) to fulfill the requirements for level B+.

**Anti-corruption and human rights**





**Zero tolerance of the following applies:**

- bribery, corruption or cartel behavior
- the occurrence of child or forced labor
- the occurrence of discrimination, reported and reviewed.

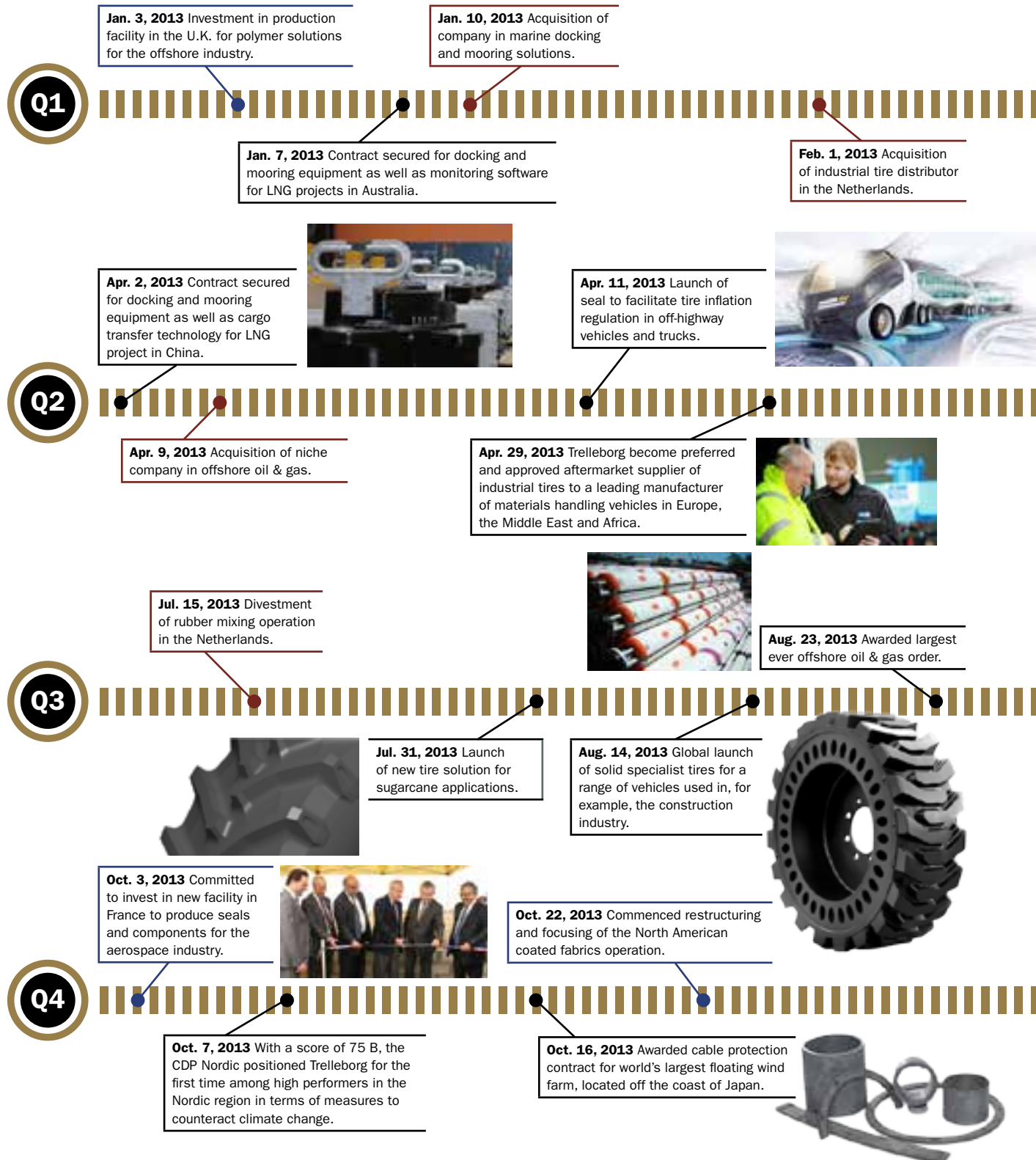
The trend is generally moving in a positive direction for the selected sustainability targets, although improvement potential exists in the next few years by modifying processes and improving the performance of acquired units. For further details, refer to pages 40-43 and 62-65.

<sup>3)</sup> Corresponds to an EBITDA margin of about 15 percent.

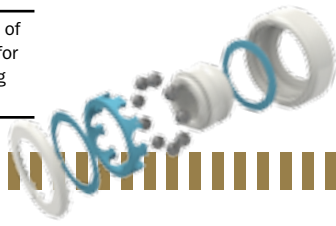
# Significant events during the year

-  Improved structures
-  Portfolio optimization
-  Excellence
-  Geographic balance

The year was characterized by enhanced geographic balance, improved structure, continued portfolio optimization and excellence in core processes. The Group further improved its market positions during the year.



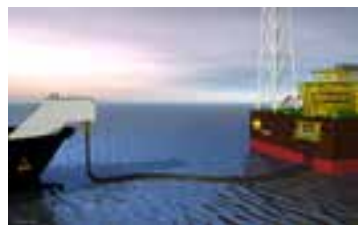
**Feb. 20, 2013** Presentation of unique polymer application for magnetic resonance imaging (MRI) in life sciences.



**Mar. 19, 2013** Inauguration of production facility in China for polymer solutions for drive shafts and steering applications.



**May 8, 2013** In collaboration with Saipem, Trelleborg presents a new LNG tandem offloading system.



**May 20, 2013** Renewal of partnership with leading agricultural equipment manufacturer covering development and product innovation of agricultural tires.

**Jun. 20, 2013** Selected as supplier of thermal insulation solutions for the world's first subsea gas compression facility situated off the coast of Norway.



**May 8, 2013** Launch of new technology for in-situ seal welding on FPSO platforms.



**May 17, 2013** The General Court of the European Union affirmed the earlier decision and penalty amount for Trelleborg's involvement in a marine hose cartel.

**Jun. 25, 2013** Secures contract to supply fender systems to LNG projects in Australia.



**Aug. 30, 2013** Launch of ProgressiveTraction™ Technology; agricultural tires featuring a unique tread and double lug.

**Sep. 27, 2013** Trelleborg awarded United States Coast Guard approval for installation of Elastopipe deluge and sprinkler system on offshore platforms, drilling ships and FPSOs in the U.S.



**Sep. 3, 2013** Acquisition of cryogenic technology for offshore offloading.

**Sep. 11, 2013** Introduction of new sealing solutions that improve offshore oil & gas operator efficiency and safety.



**Sep. 27, 2013** Secures contract for composite based bearing material for refurbishment of the largest hydropower plant in the U.S.



**Nov. 1, 2013** Graduation of first class from Trelleborg's Manufacturing Excellence School.

**Nov. 12, 2013** ProgressiveTraction™ agricultural tire awarded prestigious "Machine of the Year 2014" prize.

**Oct. 29, 2013** Launch of the Solventless Roller Head Line for use in the production of printing blankets.

**Nov. 11, 2013** Agreement signed to acquire industrial tire distributor in Italy.

**Dec. 17, 2013** Strengthening of long-term financing through extension of syndicated credit facility.

Trelleborg's press releases and information on its products and solutions are available at [www.trelleborg.com/Media](http://www.trelleborg.com/Media).

# Favorable earnings and strengthened positions

Generally, the Group's market positions have been maintained or improved during 2013.

## Trend in the Group's market segments

The market conditions varied among the Group's market segments. Compared with the preceding year, demand was in line with or slightly improved in most of the Group's segments. Activity in off-shore oil & gas was generally up year-on-year. Overall, the Group's market positions were maintained or improved.

## Net sales, continuing operations

	2013	2012
Net sales, SEK M	21,473	21,262
Change in %		
Organic sales	+1	+1
Structural change	+4	+1
Currency effect	-4	-1
<b>Total</b>	<b>+1</b>	<b>+1</b>

The organic sales trend in Europe was 2 percent. The trend in northern Europe was in line with the preceding year, while growth was robust in southern and eastern Europe, albeit from low levels. The organic sales trend in North America fell 5 percent. South America experienced a negative trend, down 12 percent. In Asia, organic sales increased by 6 percent due to robust growth in such geographic markets as China and South Korea.

The effects of structural changes, primarily from acquired units, amounted to approximately 4 percent, or about SEK 850 M, while exchange-rate movements were just under negative 4 percent, corresponding to about SEK 700 M. For comparable units and excluding exchange-rate effects, sales in the first six months of the year were slightly higher than in the second half of the year. The trend in organic sales for the year was in line with 2012 or slightly negative for all business areas, except for Trelleborg Sealing Solutions which reported a slightly positive performance. Refer to pages 66-68.

## Earnings

SEK M	2013	2012
Operating profit, excluding items affecting comparability and participation in TrelleborgVibracoustic	2,613	2,342
Operating margin, %	12.2	11.0
Items affecting comparability	-410	11
Participation in TrelleborgVibracoustic	355	109
Operating profit, including items affecting comparability and participations in TrelleborgVibracoustic	2,558	2,462
Operating margin, including items affecting comparability and participations in TrelleborgVibracoustic, %	11.9	11.6

The Group's operating profit, excluding items affecting comparability and participations in TrelleborgVibracoustic, rose by 12 percent. Operating profit increased primarily due to a relatively stable sales trend, continued favorable efficiency and cost control.

Companies acquired during the year contributed positively to the earnings trend. Exchange-rate effects from the translation of the earnings of foreign subsidiaries had, primarily, an adverse impact on the first six months with a negative full-year effect of SEK 106 M (neg: 2).

The operating margin amounted to 12.2 percent (11.0). In general terms in the Group, both implemented and ongoing restructuring programs continued to yield positive effects in the form of more efficient structures and lower costs. The Group continued to work on optimizing purchasing procedures and, thereby, secure efficient purchasing management. Refer to pages 68-69.

## Cash flow

SEK M	2013	2012
Operating cash flow	2,162	2,248
Free cash flow	965	1 714
Net cash flow	-101	740

The Group's operating cash flow was SEK 2,162 M (2,248). Earnings generation

continued to trend healthily and tied-up working capital increased slightly over the year.

As in the preceding year, the rate of investment increased gradually in 2013, primarily in the fourth quarter.

## Net debt – capital structure

	2013	2012
Net debt, SEK M	5,637	5,360
Net debt/EBITDA <sup>1)</sup> , times	1.7	1.7
Debt/equity ratio, %	38	38

<sup>1)</sup> Continuing operations including items affecting comparability.

Net debt increased during the year, impacted by a negative cash flow and negative exchange-rate differences. At year-end, the debt/equity ratio was 38 percent (38).

The Group has adequate financial strength providing freedom and options to proactively advance market positions in the years ahead. During the year, Trelleborg concluded an agreement to extend its current syndicated credit facility to 2018.

## Key figures, Group

SEK M	2013	2012
Operating profit	2,519	2,815
Profit before tax	2,322	2,626
Net profit	1,617	2,057
Earnings per share, SEK	5.93	7.53
Return on shareholders' equity, %	11.2	15.0

Operating profit for the Group totaled SEK 2,519 M (2,815). Movements in exchange rates upon translation of the earnings of foreign Group companies had a negative impact of SEK 113 M on operating profit compared with the preceding year (pos: 4). Refer to page 70.



## Continuing operations

### Net sales and operating profit

SEK M	Net sales		Operating profit <sup>1)</sup>	
	2013	2012	2013	2012
Trelleborg Coated Systems	1,839	1,738	197	177
Trelleborg Industrial Solutions	4,407	4,502	420	328
Trelleborg Offshore & Construction	3,587	3,644	274	216
Trelleborg Sealing Solutions	7,093	7,215	1,486	1,513
Trelleborg Wheel Systems	4,189	3,865	490	449
Group items	921	1,076	-254	-341
Elimination	-563	-778		
<b>Total</b>	<b>21,473</b>	<b>21,262</b>	<b>2,613</b>	<b>2,342</b>

### Items affecting comparability in operating profit

SEK M	2013	2012
Trelleborg Coated Systems	-36	-
Trelleborg Industrial Solutions	-69	-71
Trelleborg Offshore & Construction	-6	-67
Trelleborg Sealing Solutions	-57	-26
Trelleborg Wheel Systems	-17	-
Group items	-70	-28
<b>Total expenses</b>	<b>-255</b>	<b>-192</b>
Profit from sale of property	-	203
Statutory non-recurring costs	-155	-
<b>Net items affecting comparability</b>	<b>-410</b>	<b>11</b>

### Operating ratios

	Operating margin, % <sup>1)</sup>		Capital employed SEK M <sup>2)</sup>		Return on capital employed, % <sup>1)</sup>	
	2013	2012	2013	2012	2013	2012
Trelleborg Coated Systems	10.7	10.2	2,132	2,005	9.4	9.3
Trelleborg Industrial Solutions	9.5	7.3	2,584	2,519	16.5	11.8
Trelleborg Offshore & Construction	7.6	5.9	2,171	1,881	12.2	10.4
Trelleborg Sealing Solutions	21.0	20.9	7,102	6,878	21.3	20.9
Trelleborg Wheel Systems	11.7	11.6	2,842	2,743	16.9	18.5
Group items			440	477		
Provisions for restructuring actions			-121	-130		
<b>Total</b>	<b>12.2</b>	<b>11.0</b>	<b>17,150</b>	<b>16,373</b>	<b>15.2</b>	<b>13.9</b>

<sup>1)</sup> Excluding items affecting comparability and participations in TrelleborgVibracoustic.

<sup>2)</sup> Excluding participations in TrelleborgVibracoustic.

# Trelleborg

BUSINESS AREA

# Coated Systems

Trelleborg Coated Systems is a leading global supplier of unique customer solutions for polymer-coated fabrics deployed in several industrial applications. Continued focus on strengthened positions and improvement activities characterized 2013.

### Sales and earnings

Net sales increased in 2013 compared with 2012. Organic sales declined 2 percent compared with 2012. Negative organic sales were reported for both coated fabrics and printing blankets while Asia made a positive contribution in terms of organic sales for the full year. Effects of structural changes of 12 percent were attributable to the autumn 2012 acquisition of the Brazilian manufacturer of printing blankets.

Operating profit increased year-on-year, primarily due to the Brazilian manufacturer of printing blankets acquired in

autumn 2012 and the related synergies. The underlying operating profit was negatively affected by unfavorable exchange-rate differences, which were partly offset by enhanced cost management. Actions were initiated to improve profitability. Exchange-rate effects from the translation of foreign subsidiaries had a negative impact of SEK 8 M on operating profit compared with 2012.

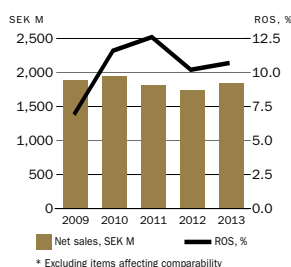
### Key events in 2013

- Participated in campaign aimed at reducing CO<sub>2</sub> emissions associated with offset printing.

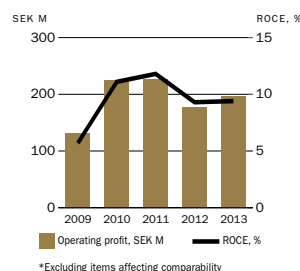
- Commenced restructuring and focusing of North American coated fabrics operation.
- Successfully integrated the Brazilian printing blanket manufacturer, Printec, which was acquired in autumn 2012.
- Commissioned the world's largest facility for solvent-free production of printing blankets in Italy – the *Solventless Roller Head Line*.

Key figures excluding items affecting comparability, SEK M	2013	2012
Net sales	1,839	1,738
Share of Group net sales, %	9	8
Operating profit	197	177
Operating margin (ROS), %	10.7	10.2
Capital employed	2,132	2,005
Return on capital employed (ROCE), %	9.4	9.3
Capital expenditures	59	96
Operating cash flow	161	167
Operating cash flow/Operating profit, %	82	95
Number of employees at year-end, including insourced staff and temporary employees	1,204	1,051

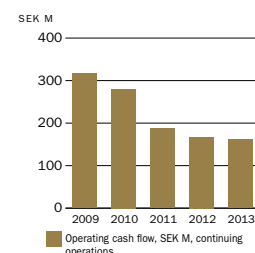
Net sales and ROS\*



Operating profit\* and ROCE\*



Operating cash flow



**Market segments**

**General industry:**

*Engineered fabrics:* Rubber and polyurethane-coated substrates for a wide range of demanding environments in sectors such as general industry, automotive, transportation and safety & health.

*Printing blankets:* Complete range of printing blanket solutions for all offset printing segments; from packaging and commercial printing to special niche applications such as security printing as well as flexo and digital printing. Carrier sleeve product line for packaging flexo printing.

**Production units:** Brazil, China, France, Italy, Sweden, the U.K. and the U.S.

**Market offices:** Brazil, China, France, Italy, Japan, Sweden, the U.K. and the U.S.

**Examples of brands/product names:** Axcyl®, Printec, Rollin® and Vulcan®.

**Key customers:** Companies active in the general industry market segment and graphics industry.

**Principal competitors:** Continental, Flint Group, Kinyo, Meiji, Pennel & Flipo, Uretek Archer and Yokohama.



**Three questions**

Dario Porta, Business Area President, describes how Trelleborg accelerates customer performance.

**Strategic priorities**

- Continuously improve geographic market presence, primarily in Asia and North and South America.
- Improve structure by enhancing efficiency and ensuring the optimal production structure in Europe, and North and South America, and invest in new technology and a broader product range.
- Continue the strategy of active portfolio management – bolt-on acquisitions that support expansion in core markets.
- Facilitate collaboration with customers in existing and new markets channels, develop the service and invest in product innovations.

tance, training and product guidance. For engineered fabrics, we operate our own research and production facilities in numerous locations around the world. To assure timely delivery, the company's in-house chemical engineering department is on hand, as and when required.

**How do you ensure you offer your customers the best solutions?**

We deliver high-performance solutions by closely collaborating with our customers, gaining insight into and fulfilling their needs. Through our extensive formulation experience, expertise and proven product development, we ensure our engineered materials and printing solutions meet even the most demanding of applications. Innovative solutions help our customers, including printing blanket distributors, to differentiate themselves in the marketplace.

**What elements of your processes or solutions contribute to sustainability?**

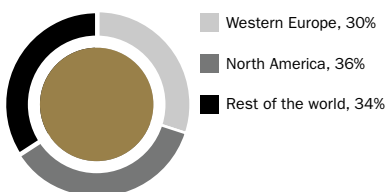
Our *Solventless Roller Head Line* is an important sustainable initiative that advances the printing process. Developed to deliver cutting-edge double-coated rubber substrates, it provides the right rubber viscosity without solvents. Our engineered fabrics are used in a variety of sustainable applications, including solar and wind power. We also focus on designing for material reduction and exchanging raw materials for more environmentally-friendly substances.

**In what ways do you make it easier for customers to do business with you?**

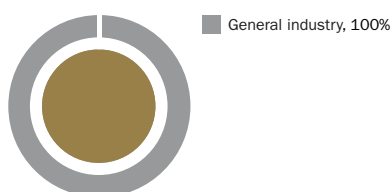
Printers' quality demands are high and investment in new technologies is important. Supporting end users in these areas, we help them stay ahead of the competition, providing technical assis-

	EU	NAFTA	Globally
<b>Market position, no. 1-3</b>			
Polymer-coated fabrics	■	■	■
Printing blankets	■	■	■

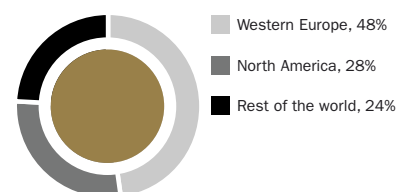
Net sales per geographic market



Net sales per segment



Employees per geographic market



# Trelleborg

BUSINESS AREA

# Industrial Solutions

Trelleborg Industrial Solutions is a market leader of polymer-based critical solutions for such industrial application areas as hose systems, industrial antivibration solutions and selected industrial sealing systems. Improved structure and continuous improvements were in focus in 2013.

### Sales and earnings

Net sales declined in 2013 compared with 2012. Organic sales were unchanged compared with 2012. The transportation equipment and light vehicles market segments reported positive organic sales during the year. A slightly positive organic sales trend was noted in Europe and North America.

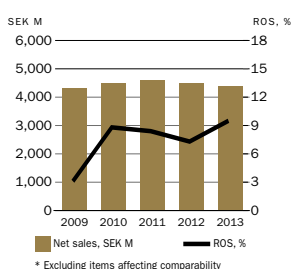
Operating profit increased year-on-year, due primarily to improved market positions, favorable project deliveries and the positive effect of restructuring programs. Exchange-rate effects from the translation of foreign subsidiaries had a negative impact of SEK 9 M on operating profit compared with 2012.

### Key events in 2013

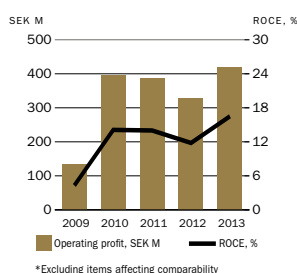
- Improved structure thanks to continued restructuring activities and active portfolio management.
- Inaugurated manufacturing facility in China to produce polymer boots for drive shafts and steering applications.
- Presented a new LNG tandem off-loading system in collaboration with Saipem.
- Acquired cryogenic technology for offshore offloading.
- Continued focus on innovation and product development.

Key figures excluding items affecting comparability, SEK M	2013	2012
Net sales	4,407	4,502
Share of Group net sales, %	21	22
Operating profit	420	328
Operating margin (ROS), %	9.5	7.3
Capital employed	2,584	2,519
Return on capital employed (ROCE), %	16.5	11.8
Capital expenditures	171	133
Operating cash flow	467	428
Operating cash flow/Operating profit, %	111	131
Number of employees at year-end, including insourced staff and temporary employees	3,354	3,294

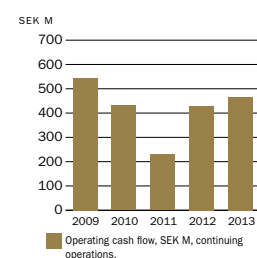
Net sales and ROS\*



Operating profit\* and ROCE\*



Operating cash flow





**Market segments**

**General industry:** Fluid-handling solutions, such as hoses, expansion joints and elastomer materials. Marine hoses for handling oil and gas. Antivibration solutions, such as vibration dampers and precision components.

**Infrastructure construction:** Pipe seals and repair of wastewater and drinking water systems, sealing profiles for facades, windows and doors.

**Transportation equipment:** Vibration-damping and acoustic solutions for rail vehicles and marine applications as well as off-highway vehicles. Sealing systems for trains and trucks.

**Light vehicles:** Polymer boots for drive shafts and steering applications.

**Production units:** Brazil, China, the Czech Republic, Estonia, Finland, France, Germany, India, Lithuania, Poland, Spain, Sweden, the U.K. and the U.S.

**Market offices:** Brazil, China, Finland, France, Germany, Hungary, India, the Netherlands, Norway, Poland, Russia, Spain, Sweden, the U.K. and the U.S.

**Examples of brands/product names:** CRYOLINE®, Epros®, Forsheda®, KLELINE®, METALASTIK®, NOVIBRA®, SEALINE®, TRELLINE® and TRELLVAC.

**Key customers:** Companies active in general industry, infrastructure and construction, transportation and off-shore oil & gas.

**Principal competitors:** Continental, Freudenberg, GMT, Hultec, Hutchinson, IVG, Lord, Parker Hannifin, Semperit Stomil Sanok and Tyman.



Mikael Fryklund, Business Area President, describes how Trelleborg accelerates customer performance.

**Strategic priorities**

- Continue to implement structural changes; enhance efficiency and ensure optimal production structure.
- Continue the strategy of active portfolio management – invest in attractive segments and exit segments with lower potential.
- Focus on developing leading positions in geographic and niche markets through continuous segmentation and differentiation.
- Create added value and closer collaboration with customers in existing and new market channels and invest in product innovations.

we know our customers well; we understand their needs and requirements so we can serve them in the best possible way. We do this by offering products with unrivalled and proven long-term reliability, delivered in ways that our customers want.

**How do you ensure you offer your customers the best solutions?**

Products supplied by my business area and the industries in which we operate are highly varied, but in each of our customers' applications we demonstrate an in-depth knowledge. Our expertise contributes to advancing processing equipment, trucks, off-highway vehicles, skyscrapers and offshore installations, for instance. In most cases, solutions are custom-designed and offer a complete package, like hoses, where we supply the hose, coupling, assemblies and service as one.

**What elements of your processes or solutions contribute to sustainability?**

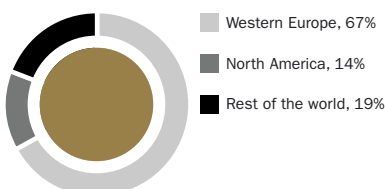
Our solutions demonstrate many aspects of protecting people and the environment. Specific examples are mounts that damp noise and vibration in off-highway vehicles, thereby improving driver comfort. A recent innovation is the fire-resistant Dragoncoat material that potentially can save lives by providing extra minutes to evacuate an underground train in the event of a fire. Another example is pioneering pipe technology seals for water pipe systems, which reduce water loss from leakage.

**In what ways do you make it easier for customers to do business with you?**

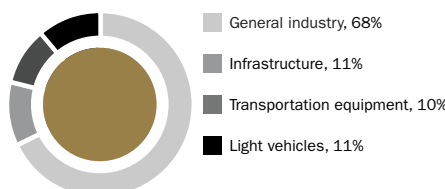
Our in-depth applications know-how allows us to talk the same language as our customers when it comes to delivering the many and varied solutions we offer. Long-term partnerships mean that

Market position, no. 1-3	EU	NAFTA	Globally
Industrial hoses	■	■	■
Oil & marine hoses	■	■	■
Industrial vibration damping	■	■	■
Sealing profiles	■	■	■
Pipe seals	■	■	■
Polymer boots	■	■	■

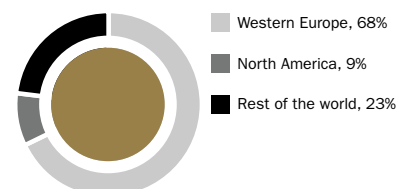
Net sales per geographic market



Net sales per segment



Employees per geographic market





# Trelleborg

BUSINESS AREA

# Offshore & Construction

Trelleborg Offshore & Construction is a leading global project supplier of polymer-based critical solutions deployed in highly demanding offshore oil & gas and infrastructure construction environments. During 2013, the business area strengthened already leading market positions.

### Sales and earnings

Net sales declined in 2013 compared with 2012. Organic sales were unchanged compared with 2012. The year was distinguished by high market activity, primarily in offshore oil & gas, where Trelleborg's market-leading position was strengthened. The higher market activity was reflected in a growing order book. Continued favorable market activity was noted in the infrastructure construction segment.

Operating profit rose year-on-year, predominantly due to an enhanced sales mix and cost efficiency. The two companies acquired during the first half of the

year and active in marine systems and offshore oil & gas, respectively, contributed positively to operating profit during 2013. Exchange-rate effects from the translation of foreign subsidiaries had a negative impact of SEK 14 M on operating profit compared with 2012.

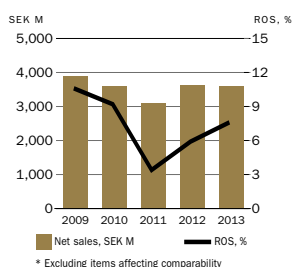
### Key events in 2013

- Continued the structural improvements through restructuring activities and active portfolio management.
- Invested in enhanced manufacturing capability for polymer solutions for the offshore industry in the U.K.

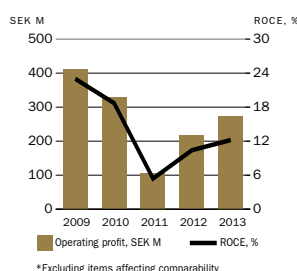
- Awarded a large number of supply contracts for marine systems and prestigious contracts in the offshore oil & gas segment.
- Acquired a company active in marine docking and mooring solutions.
- Acquired a niche company that develops and manufactures composite materials for the offshore oil & gas industry.
- Launched a new generation of distributed buoyancy module (DBM) clamps for offshore operations.
- Awarded United States Coast Guard (USCG) approval for installation of Elastopipe® deluge and sprinkler system on offshore platforms, drilling ships and FPSOs (floating production, storage and offloading) in the U.S.

Key figures excluding items affecting comparability, SEK M	2013	2012
Net sales	3,587	3,644
Share of Group net sales, %	17	18
Operating profit	274	216
Operating margin (ROS), %	7.6	5.9
Capital employed	2,171	1,881
Return on capital employed (ROCE), %	12.2	10.4
Capital expenditures	120	136
Operating cash flow	89	230
Operating cash flow/Operating profit, %	33	107
Number of employees at year-end, including insourced staff and temporary employees	2,063	1,946

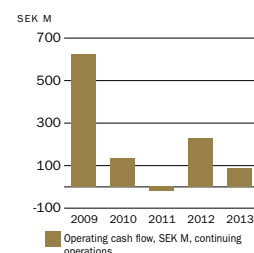
Net sales and ROS\*



Operating profit\* and ROCE\*



Operating cash flow



**Market segments**

**Offshore oil & gas:** Polymer-based solutions for deep subsea exploration and extraction of oil & gas.

**Infrastructure construction:** Sealing and vibration-damping civil engineering solutions for tunnels, bridges and other large structures. Marine structures for berthing, docking and mooring at ports and on vessels.

**Production units:** Australia, Brazil, China, the Netherlands, Norway, Singapore, the U.K. and the U.S.

**Market offices:** Australia, Brazil, Dubai, China, France, India, Indonesia, Japan, the Netherlands, Norway, Singapore, South Africa, South Korea, Sweden, Turkey, United Arab Emirates, the U.K. and the U.S.

**Examples of brands/product names:** Andre, Elastopipe®, RiserGuard, SCN Supercone Fendrar, SeaGuard, SeaTechnik, SmartDock, Ultra MIS Drill Riser Bårighet, Uraduct and Vikotherm.

**Key customers:** Companies active in offshore oil & gas and companies that construct and maintain tunnels, bridges, buildings, ports and docks, including construction companies and engineering consultancies.

**Principal competitors:** AF Global, AIS, Balmoral, Bridgestone, Crux, Dätwyler, FenderCare, FenderTeam, Lankhorst, Marimatech, Matrix, Sumitomo and Yokohama.



**Three questions**

Fredrik Meuller, Business Area President, describes how Trelleborg accelerates customer performance.

**Strategic priorities**

- Strengthen and leverage the already leading position in the field of polymer solutions for subsea installations.
- Continue to grow in existing and new segments; organically with the support of product innovations and by way of bolt-on acquisitions that further support presence in such regions as South-east Asia and North America.
- Develop and better utilize existing production structures and investments.
- Facilitate collaboration with customers in existing and new market channels.

and proven technical expertise, combined with global reach and local presence. For instance, our new Vikotherm II thermal insulation material can be produced and applied at the customer site by mobile manufacturing units, to minimize downtime and maximize customer productivity.

**How do you ensure you offer your customers the best solutions?**

This is achieved through close and continuous dialog with our customers. Research and development is focused on our customers' applications, based on a mix of our own initiatives and feedback from the marketplace. The latter is a vital indicator of where we need to modify our ranges or services. Sometimes, to speed things up, we acquire what is needed – the SeaTechnik transaction is an excellent example of this, making our docking and mooring offering truly unique.

**What elements of your processes or solutions contribute to sustainability?**

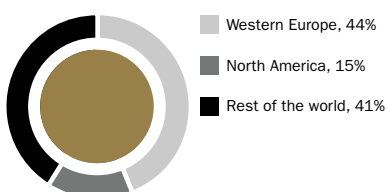
In the offshore oil & gas industry, we are de facto involved with fossil fuels. However, our solutions ensure output is maximized, making best use of precious resources, and that personnel and infrastructure are protected. Our advanced solutions are also long-lasting – seals in immersed tunnels need to keep water out for at least 120 years. In addition, second-to-none expertise in buoyancy and sealing has been transferred to a rapidly growing number of offshore wind farms.

**In what ways do you make it easier for customers to do business with you?**

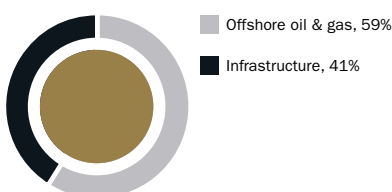
As projects become larger and more complex, service is key, even post installation. We demonstrate unrivalled characteristics to make us the perfect business partner: solid financial backing

Market position, no. 1-3	EU	NAFTA	Globally
Polymer solutions for offshore oil & gas	■	■	■
Marine fender systems	■	■	■
Docking and mooring systems	■	■	■
Tunnel seals	■	■	■
Dredging hoses	■	■	■
Acoustics and vibration-damping solutions	■	■	■

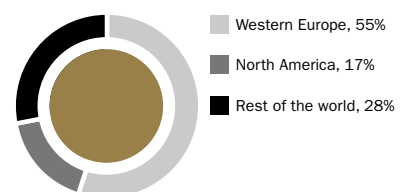
Net sales per geographic market



Net sales per segment



Employees per geographic market



# Trelleborg

BUSINESS AREA

# Sealing Solutions

Trelleborg Sealing Solutions is a leading global supplier of polymer-based critical sealing solutions deployed in demanding general industry, light vehicle and aerospace environments. 2013 was characterized by a strengthened market position and focus on digital sales processes.

### Sales and earnings

Net sales declined in 2013 compared with 2012. Organic sales increased 1 percent year-on-year. While negative organic sales were noted in the first half of the year, the second half of the year contributed positively with healthy organic sales. Asia grew throughout the year and Europe reported a moderate level of positive growth in all market segments. Overall, North America posted slightly negative organic sales for the full year, which was mainly the result of an intentional reduced exposure to the light vehicles industry. However, the aerospace market segment reported positive organic sales.

Exchange-rate effects from the translation of foreign subsidiaries had a negative impact of SEK 56 M on operating profit compared with 2012. Adjusted for exchange-rate effects, operating profit increased during the year. Healthy profitability was maintained during the year and the operating margin was on par with the preceding year at 21.0 percent (20.9).

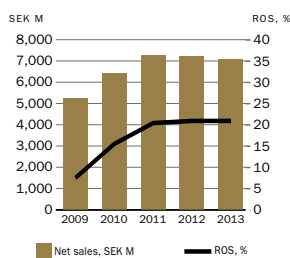
### Key events in 2013

- Continued to capture market shares and strengthen market position.
- Presented unique polymer application for magnetic resonance imaging (MRI) in life sciences.

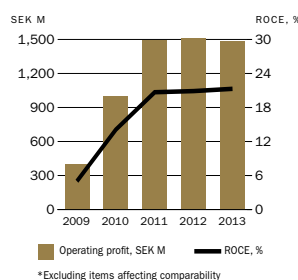
- Launched seal to facilitate tire inflation regulation in off-highway and heavy-duty vehicles that reduces fuel consumption.
- Launched new technology for in-situ seal welding on FPSO platforms.
- Introduced new sealing solutions that improve offshore oil & gas operator efficiency and safety.
- Secured contract for composite-based bearing material for refurbishment of the largest hydropower plant in the U.S.
- Committed to an investment in new manufacturing facility in France to produce seals and elastomeric components for the aerospace industry.
- Continued simplification project that aims to make it easier for customers to do business with Trelleborg.

Key figures excluding items affecting comparability, SEK M	2013	2012
Net sales	7,093	7,215
Share of Group net sales, %	33	34
Operating profit	1,486	1,513
Operating margin (ROS), %	21.0	20.9
Capital employed	7,102	6,878
Return on capital employed (ROCE), %	21.3	20.9
Capital expenditures	288	285
Operating cash flow	1,422	1,694
Operating cash flow/Operating profit, %	96	112
Number of employees at year-end, including insourced staff and temporary employees	5,568	5,305

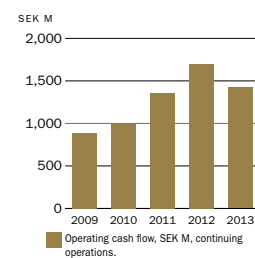
Net sales and ROS\*



Operating profit\* and ROCE\*



Operating cash flow



**Market segments**

**General industry:** Precision seals for a range of industrial applications with a focus on O-Rings, rotary and hydraulic seals.

**Aerospace:** Safety-critical aircraft seals used in such application areas as engines, flight control actuators, landing gear, wheels and brakes.

**Light vehicles:** Advanced and often safety-critical seals, mainly for fuel systems, steering, air conditioning and exhaust systems, as well as composite technology for damping and sealing.

**Transportation equipment, Agriculture, Offshore oil & gas:** Safety-critical preci-

sion seals for use in, for example, trains, construction and agricultural equipment, and offshore oil & gas.

**Production units:** Brazil, China, Denmark, France, India, Italy, Malta, Mexico, Poland, Sweden, Switzerland, the U.K. and the U.S.

**Market offices:** Australia, Austria, Belgium, Brazil, Bulgaria, Canada, China, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Hong Kong, Hungary, India, Italy, Japan, Mexico, the Netherlands, Norway, Pakistan, Poland, Russia, Switzerland, Singapore, Spain, Sweden, South Korea, Taiwan, Turkey, the U.K. and the U.S.

**Examples of brands/product names:** American Variseal®, Busak+Shamban®, Forsheda®, GNL, Nordex, Orkot®, Palmer Chenard, Polypac®, Rubore®, SF Medical, Shamban®, Silcotech, Skega®, Stefa® and Wills Rings®.

**Key customers:** ABB, BOC Edwards, Bosch, Caterpillar, GEA Group, Honda, Husky, Liebherr, Rolls Royce, Scania, Siemens, Spirit Aero systems, Visteon, Volvo and ZF Group.

**Principal competitors:** Federal Mogul, Freudenberg, Green Tweed, Hutchinson, NOK, Parker Hannifin, Saint Gobain and SKF.



Claus Barsøe, Business Area President, describes how Trelleborg accelerates customer performance.

**Strategic priorities**

- Continue simplification work – to become a partner that it is easy to do business with.
- Improve global reach by expanding local presence in selected markets.
- Retain position as the leader in digital service tools for engineers.
- Monitor potential acquisition candidates in selected markets.
- Focus on expansion in existing segments through global growth initiatives, such as life sciences.

we continuously develop online programs and mobile apps. These are ideal for technicians who spend less time at their desks and more on the move, at production facilities or oil platforms, for example.

**How do you ensure you offer your customers the best solutions?**

With marketing teams in all relevant countries, local applications engineers work with customers to match materials and products to various requirements, including temperature range, media compatibility and standard compliance. In food processing, for instance, our seals are vital, since chemicals and the extreme temperatures of cleaning regimes expose machinery, equipment and production to extreme stresses.

**What elements of your processes or solutions contribute to sustainability?**

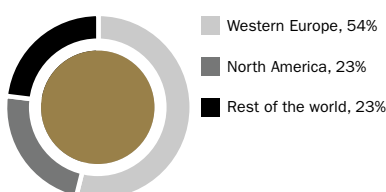
Low friction sealing contributes to energy savings and as a leading seal supplier for hydraulic applications, in machine tools or off-highway vehicles, we focus on enhancing friction characteristics. One example is the recently introduced Turcon Roto L seal that contributes to lowering fuel consumption. Material development has also been a contributory factor in making alternative fuelling possible, with innovative compounds to withstand aggressive biofuels.

**In what ways do you make it easier for customers to do business with you?**

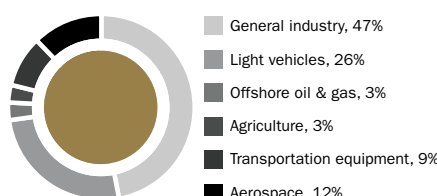
The digital age means that the way our customers do business has changed. In response, we focus on how to harmonize sales processes with our customers' needs. In addition, to make it easier for engineers to specify seals and perform their daily design work more efficiently,

Market position, no. 1-3	EU	NAFTA	Globally
Precision seals for the aerospace industry	■	■	■
Precision seals for the automotive industry	■	■	■
Precision seals for general industry	■	■	■

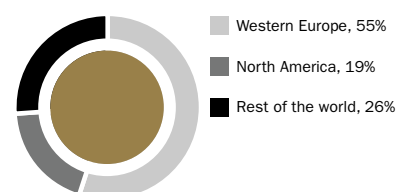
Net sales per geographic market



Net sales per segment



Employees per geographic market



# Trelleborg BUSINESS AREA Wheel Systems

Trelleborg Wheel Systems is a leading global supplier of tires and complete wheels for agricultural and forestry machines, forklift trucks and other materials handling vehicles. A strengthened position in industrial tires and continued collaboration with tractor manufacturers summarizes 2013.

## Sales and earnings

Net sales increased in 2013 compared with 2012. Organic sales declined 1 percent year-on-year. While negative organic sales were noted in the first half of the year, the second half of the year contributed positively. An increase in agricultural tire sales was noted compared with 2012.

The full-year organic sales trend for tires for materials handling vehicles was negative. However, sales in this segment increased as a result of the industrial tire operation acquired at year-end 2012, with facilities in China and the U.S.

Operating profit increased compared with 2012, primarily on account of efficient cost management. The industrial tire operation acquired at year-end 2012 also positively impacted earnings. Exchange-rate effects from the translation of foreign subsidiaries had a negative impact of SEK 23 M on operating profit compared with the year-earlier period.

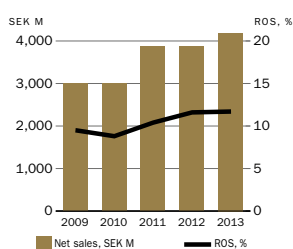
## Key events in 2013

- Acquired industrial tire distributor in the Netherlands.

- Selected as preferred and approved aftermarket supplier of industrial tires to a leading manufacturer of materials handling vehicles in Europe, the Middle East and Africa.
- Renewed partnership with leading agricultural equipment manufacturer covering development and product innovation of agricultural tires.
- Successfully integrated the industrial tire operation, with facilities in China and the U.S., which was acquired at year-end 2012.
- Launched new tire solution for sugarcane applications.
- Initiated global launch of solid specialist tires for a range of vehicles used in, for example, the construction industry.
- Launched ProgressiveTraction™ technology; agricultural tires featuring a unique tread and double lug.
- Signed agreement to acquire industrial tire distributor in Italy.

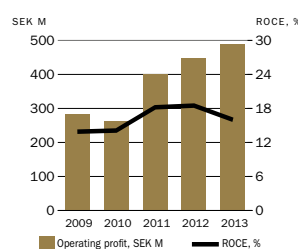
Key figures excluding items affecting comparability, SEK M	2013	2012
Net sales	4,189	3,865
Share of Group net sales, %	20	18
Operating profit	490	449
Operating margin (ROS), %	11.7	11.6
Capital employed	2,842	2,743
Return on capital employed (ROCE), %	16.9	18.5
Capital expenditures	209	200
Operating cash flow	443	227
Operating cash flow/Operating profit, %	90	51
Number of employees at year-end, including insourced staff and temporary employees	3,024	3,026

Net sales and ROS\*



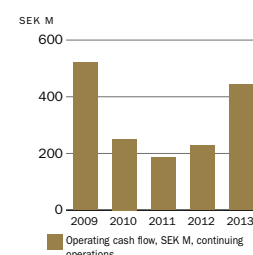
\* Excluding items affecting comparability

Operating profit\* and ROCE\*



\* Excluding items affecting comparability

Operating cash flow



**Market segments**

**Agriculture:** Tires and complete wheels for tractors and other vehicles used in agriculture and forestry. The business area is a leader in the extra-large tire sub-segment.

**Transportation equipment:** Tires and complete wheels for materials handling vehicles, including forklift trucks and other highly utilized and high-load materials handling vehicles.

**Production units:** China, Italy, Latvia, Sri Lanka, Sweden and the U.S.

**Market offices:** Argentina, Australia, Belgium, Brazil, China, the Czech Republic, Denmark, Finland, France, Germany, Indonesia, Italy, Malaysia, Mexico, the Netherlands, Poland, Russia, Singapore, South Africa, Spain, Sweden, United Arab Emirates, the U.K., Uruguay and the U.S.

**Examples of brands/product names:** Brawler, Elite XP Interfit, Mastersolid®, MIT, Monarch®, Orca, Premia, Rota® and Trelleborg®.

**Key customers:** Manufacturers of agricultural and forestry machinery, tire and machinery sales companies and end customers. Manufacturers and distributors of forklift trucks, distributors of tires and tire service companies for materials handling vehicles.

**Principal competitors:** Aichi, ATG, Camoplast-Solideal, Continental, Firestone/Bridgestone, Nokian, Goodyear/Titan, Michelin and Mitas.



Maurizio Vischi, Business Area President, describes how Trelleborg accelerates customer performance.

**Strategic priorities**

- Consolidate position in the extra-large tire sub-segment.
- Leverage the globally leading position in industrial tires.
- Focus on growth and production in selected markets, including China and North America.
- Further develop the customer offering to include closely associated technologies and segments.

**Events after year-end**

- Finalized the acquisition of the industrial tire operation in Italy.

**How do you ensure you offer your customers the best solutions?**

We constantly aim to meet the evolving needs of our customers. Focusing on accelerating business performance, we identify innovations that can boost our customers' efficiency and productivity, while reducing their environmental footprint. Our Total Value of Ownership – TVO – approach, matches the total needs of our customers to the solutions we provide. It offers the best cost of ownership by taking into account such aspects as tire life and fuel consumption.

by dedicated, highly technical teams, including the Interfit network for purchasing and servicing of forklift tires, while apps and online programs make product selection and ordering easier.

**What elements of your processes or solutions contribute to sustainability?**

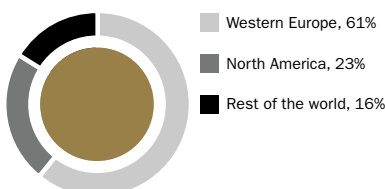
We apply Life Cycle Assessment to agricultural tire and wheel solutions, to systematically analyze the environmental impact of our products from design through to product recycling. *BlueTire™* technology allows farmers to boost efficiency and productivity while reducing the environmental impact of farming operations. ISO environmental accreditation has been achieved throughout our value chain and by ensuring maximum tire life, we reduce material usage and waste.

**In what ways do you make it easier for customers to do business with you?**

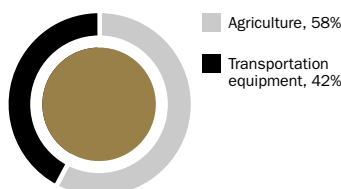
Joint product development initiatives with leading off-highway and agricultural vehicle manufacturers means we can help achieve the perfect combination between wheel solutions and cutting-edge machine technology. Customers and end users are supported in the field

Market position, no. 1-3	EU	NAFTA	Globally
Agricultural tires	■	■	■
Forestry tires	■	■	■
Solid industrial tires	■	■	■

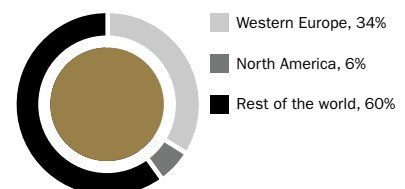
**Net sales per geographic market**



**Net sales per segment**



**Employees per geographic market**



# Joint venture



## TrelleborgVibracoustic

TrelleborgVibracoustic is a global market leader in antivibration solutions for light and heavy vehicles. The company was formed in July 2012 and is owned in equal shares by Trelleborg and Freudenberg. The integration process continued according to plan in 2013 and the company reported a stronger sales trend than the underlying market.

TrelleborgVibracoustic is a global leader in antivibration solutions for light and heavy vehicles, with a market share of 16 percent. The company has 32 production units and six standalone development sites spread across 18 countries. During 2013, the head office was established in Darmstadt, Germany. The company has approximately 8,800 employees.

**Sales and earnings.** Net sales for 2013 rose 5 percent compared with 2012. Healthy sales in primarily China and North America contributed to organic sales growth of 6 percent.

Operating profit increased year-on-year, mainly on account of higher volumes, synergies from ongoing restructuring activities and continued improvements in production efficiency. Exchange-rate effects from the translation of foreign subsidiaries had a negative impact of slightly less than EUR 2 M on operating profit compared with the year-earlier period.

Operating cash flow was satisfactory during the year.

**Events in 2013.** The integration process continued successfully during 2013. Substantial synergies were identified and the integration of operations is continuing.

Restructuring projects aimed at boosting TrelleborgVibracoustic's competitiveness and future synergies were launched during the year. Among other measures, a decision was made to introduce region-specific *Centers of Excellence*, which will impact the European operations. Restructuring projects were also initiated in Europe to optimize the efficiency of the structure.

TrelleborgVibracoustic, EUR M	2013	2012	% Change
<i>Excluding items affecting comparability</i>			
Net sales	1,713	1 633 <sup>1)</sup>	5
Total change, %	5		
Organic sales, %	6		
Structural growth, %	1		
Exchange-rate fluctuations, %	-2		
Operating profit	125	99 <sup>1)</sup>	26
Operating margin, %	7.3	6.0 <sup>1)</sup>	
Operating cash flow	97		
EBITDA	180	151 <sup>1)</sup>	19
Capital employed, closing balance	445	451	
Net debt, closing balance	73	160	
Equity, closing balance	364	290	

<sup>1)</sup> TrelleborgVibracoustic was formed in July 2012. Pro forma figures are based on a combination of the former consolidation of units in Trelleborg Automotive and units in Vibracoustic.

A company was formed with the Turkish company HSS Otomotiv, which will focus on the respective partners' operations in the area of airsprings for commercial vehicles. TrelleborgVibracoustic owns 50.1 percent of the new company, which will primarily operate in Turkey.

TrelleborgVibracoustic acquired the remaining shares in the Indian joint venture SVIL.

A number of orders were received for new car platforms, thereby creating a foundation for future deliveries.

A clear trend is that manufacturers use the same platforms for their models in all parts of the world, making production a worldwide activity. TrelleborgVibracoustic is currently represented in 19 of the 20 largest global OEM platforms.

**Examples of key customers:** BMW, Daimler, Daimler Trucks, Fiat-Chrysler, Ford, GM, Hendrickson, Paccar, Renault-Nissan, Scania and VW.

**Examples of principal competitors:** Bridgestone, Continental, Cooper Standard, Tokai, Toyo, Yamashita and ZF-Boge (currently being acquired by Zhuzhou Times New Material Technology Co).

For further information about TrelleborgVibracoustic, visit [www.tbvc.com](http://www.tbvc.com).



# Trelleborg's participation in TrelleborgVibracoustic

TrelleborgVibracoustic is reported as a joint venture in Trelleborg's financial accounts and is recognized according to the equity method.

Trelleborg's participation in the joint venture TrelleborgVibracoustic is reported according to the equity method and is recognized on two lines in the income statement; profit before tax and tax.

Trelleborg's participation in TrelleborgVibracoustic, including items affecting comparability amounting to an expense of SEK 134 M, was SEK 355 M before tax. Since TrelleborgVibracoustic was formed in July 2012, the comparative figures relate only to the period July-December 2012.

SEK M	2013 <sup>2)</sup>	Jul-Dec 2012 <sup>2)</sup>
Operating profit excl. items affecting comparability	1,078	377
Acquisition-related costs	-54	-37
Amortization of intangible assets <sup>1)</sup>	-38	-44
Restructuring items	-176	-32
Operating profit	810	264
Financial income and expenses	-101	-47
Profit before tax	710	217
Trelleborg's share	355	109
Tax	-236	-64
Trelleborg's share	-118	-32
Net profit	474	153
Trelleborg's share	237	77

<sup>1)</sup> Related to split of acquisition balance.

<sup>2)</sup> TrelleborgVibracoustic was formed in July 2012 and thus no comparative figures are reported for full-year 2012.

## Corporate Responsibility TrelleborgVibracoustic

Environmental responsibility comprises a major part of TrelleborgVibracoustic's CSR policy and is one of the company's six core values. These core values require all employees to be committed to reducing the company's impact on the environment by using natural resources in a responsible manner and acting as good corporate ambassadors in their regions.

The focus is to continuously improve sustainable production processes. One example of this in 2013 was a production facility in Hamburg, Germany, where ground nutshells were used to clean vulcanization molds instead of synthetic granules. This generates less dust and costs significantly less than conventional cleaning.

**Products:** Reducing weight is one of the keys to cutting emissions and Trelleborg-

Vibracoustic is setting the standard for lightweight design of antivibration solutions. The world's most fuel efficient vehicle, Volkswagen's XL1, features weight-optimized engine mounts and torsional vibration dampers from TrelleborgVibracoustic. The R&D team in Nantes, France, developed a lightweight engine mount made from synthetic material, weighing 500 grams less and with the capacity to withstand loads many times higher than its predecessor made from aluminum.

**Global HSE management:** TrelleborgVibracoustic has established a uniform management system to ensure high quality and compliance with health, safety and environment (HSE) standards. At present, the ISO 14001 environmental management system has been introduced

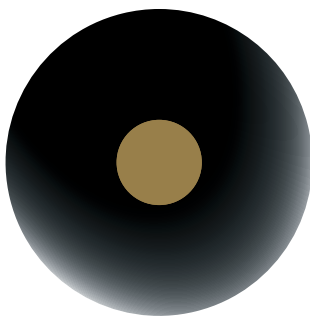
at almost all global production sites. Nearly 40 percent of the sites also have OHSAS 18001 accreditation.

Preventing accidents in production is paramount for TrelleborgVibracoustic and has been assigned top priority by management. A global health and safety reporting system has been established, which includes a detailed overview of accidents and enables improvements to be initiated wherever necessary. In 2013, the number of accidents was reduced by 56 percent compared with 2012. In parallel, an initiative was launched to raise awareness among all employees of the accident risks in all work areas.

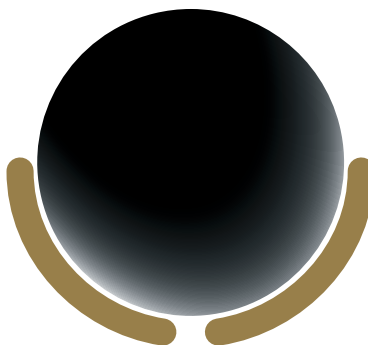
For further information, visit [www.tbvc.com](http://www.tbvc.com).

# Polymer materials – part of society

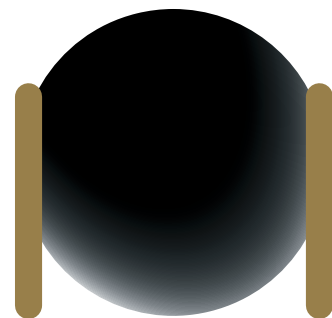
Modernday industrial and information society would not function without polymer materials. All of the machines, tools and accessories that make up our everyday lives need sealing, damping and protecting using a material that is durable, elastic and tough.



**SEAL**



**DAMP**



**PROTECT**

**Polymer products and solutions in society.** Mankind's endeavor to create a better and safer existence, companies' efforts to satisfy customer and consumer needs, and the demand for a clean environment and sustainable development create the basis for Trelleborg's business development. Modernday industrial and information society would not function without polymer materials, or rubber, composites and plastics as they are commonly known. All of the machines, tools and accessories that make up our everyday lives need sealing, damping and protecting using a material that is durable, elastic and tough.

**Polymers have an infinite number of applications.** Polymers bond to countless other materials, meaning that the number of products and solutions that can be created is essentially infinite. Defining the market for engineered polymer solutions is therefore a complex task.

The market for engineered polymer solutions is largely comprised of many small companies. Trelleborg's principal competitors are mainly regional specialists in one or more niche markets in various market segments and product

categories. Each segment and niche has its own competitors and only a few can be found in more than one segment. Trelleborg is one of the three largest companies, globally or regionally, in the majority of product segments it serves.

In an intensely competitive industry under pressures of globalization, positioning in the best niches is a key factor. In turn, this requires knowledge of global, regional and local markets, strength in innovation and development as well as resources to enable investments.

Trelleborg is leading in selected segments where the Group's products and solutions seal, damp and protect critical applications in demanding environments.

■ **Seal** – comprises one of the fundamental properties of polymer compounds mixtures and involves sealing between surfaces that are uneven or moving. Rubber can endure major forces and extreme temperature ranges while maintaining high precision demands. Sealing solutions include hydraulic and pneumatic seals, sealing profiles for windows and doors as well as large applications, such as tunnel seals.

■ **Damp** – is another function ideally suited to rubber solutions. It involves absorbing energy to damp vibrations or shocks. This method could be used to reduce noise and vibrations in machines or vehicles, with brake shims being a typical example of this.

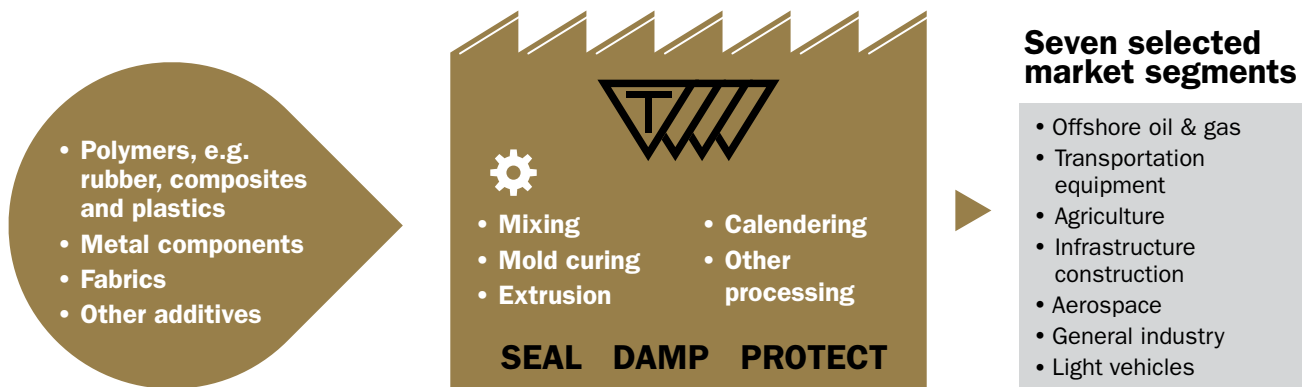
■ **Protect** – refers to the manner in which the solutions protect critical customer applications or investments by resisting the forces of nature and their effects. One example of this is fire protection, such as the Elastopipe system designed for use on offshore platforms, or protection of valuable arable land through the use of wide footprint agricultural tires that reduce soil compaction, thus preserving soil productivity. In summary, Trelleborg's solutions protect people, the environment and infrastructure.

Read more about Trelleborg's selected market segments on *pages 26-33*.

Read more about Trelleborg's business model on *pages 34-35*.

# Value generation at Trelleborg

In the market, Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications in demanding environments. The Group's innovative engineered solutions accelerate performance for customers in a sustainable way.



In the market for polymers, Trelleborg is a world leader in the segments and niches it has chosen to serve. The figure above illustrates a simplified process. While the raw materials and components do not differ dramatically from those included in the processes of other companies, in terms of value generation, there are significant aspects that set Trelleborg apart from its competitors and make the Group unique. This core expertise is the reason why industrial customers choose Trelleborg for solutions for critical applications in demanding environments.

**Trelleborg's expertise in the field of polymer engineering** serves as the basis

and is clearly evident in the manner in which the Group – using rubber, composites and plastics – can create the properties that the customer requests and needs in their applications.

Furthermore, Trelleborg has the proximity and ability to listen to customer requirements of a local company, combined with the development knowledge and production resources of a global company. Trelleborg's global network of strategically located development units help customers stay one step ahead of the competition.

Trelleborg has in-depth applications expertise in its selected market segments. Customer collaboration is founded on close communication with the

customer (customer integration), which facilitates doing business with Trelleborg. In addition, Trelleborg's aim is to always improve its customers' operations by simultaneously addressing customer production processes and productivity as well as end-customer preferences. At an overall level, this involves acting as a business accelerator.

## How we build value generation

**Polymer engineering.** For more than a century, and into the future, we are pioneering applied polymer engineering and materials technology in our chosen sectors.

**Local presence, global reach.** Working globally through our local teams, we are leveraging our global strength and capabilities when needed, acting as a local partner where we conduct business.

**Applications expertise.** We have leading-edge technology and in-depth understanding of the challenges our customers

must overcome to seal, damp and protect critical applications.

**Customer integration.** Having close integration with markets and customers through multiple channels and excellence across touchpoints, we make it easy to do business with us.

**Business accelerator.** Working as a proactive and long-term business partner, we are delivering solutions based on market foresight to contribute to better business.

# Breadth of opportunities in **general industry**





# Trelleborg's drivers

## General industry

In an increasingly **polarized** world, the economic map is being redrawn and our global growth is being ever-more concentrated to certain markets and customers. This also has industrial implications. The capacity as a **global partner** to satisfy local needs through **customized comprehensive solutions** is becoming increasingly important in the pursuit of long-term value creation. These **selected drivers** are the reason why Trelleborg has chosen to operate in the segment.

## General industry

For Trelleborg, the *General industry* segment encompasses products and solutions for companies active in the processing industry, mechanical industry, food and other industries. The segment is characterized by geographic growth markets and certain major customers are demanding an increasing number of products and more advanced solutions. These are needed to meet the demands imposed by industrial expansion and development, while more mature markets require even more advanced solutions and services. Examples of this include life sciences, which is expanding in pace with global population increases, and the graphics industry, where demand for sophisticated commercial packaging is growing in pace with urbanization.

A common feature of Trelleborg's products and solutions in the General industry segment is that they are customized and often form part of a comprehensive offering. They also represent a non-critical share of the cost of the end-product's total value.

Trelleborg combines local engineering support with global supply of products and solutions. Trelleborg's teams, with in-depth applications expertise, are on location when a local customer requirement arises. At the same time, these teams have access to the Group's extensive global expertise.

### Examples of products and applications

<b>Antivibration systems</b>	Systems developed to minimize noise and damp vibrations in generator sets, fans and separators, for instance.
<b>Engineered fabrics</b>	Specialty polymer-coated and calendared materials for custom-solutions for the majority of industrial applications.
<b>Expansion joints</b>	Solutions that absorb pressure surges, movements and vibrations in pipe systems, such as those found in the food, cooling, heating and processing industries.
<b>Industrial hoses</b>	Specialist hoses for various industrial applications in, for example, the manufacturing, food and processing industries.
<b>Printing blankets</b>	Printing blankets for advanced offset and digital printing applications, representing printing quality, ink transfer and dot control.
<b>Seals and bearings</b>	Seals – such as O-Rings, rotary seals, hydraulic seals and various specialty seals – in many fields of application and niches for both static and dynamic applications.



## Durable seals

Clayton Walker Gasholders, a world leader in the design and maintenance of storage tanks, heat exchanges and gasholders, is primarily focused on the collection and safe storage of recovered gases from coke ovens, blast furnaces and steelmaking processes. The gases can be reused for power and heat within

the steel plant and, because it is not necessary to flare off these highly toxic gases into the atmosphere, carbon emissions are greatly reduced. Seals made from coated fabrics comprise critical components in the storage solutions, both sealing the structure and protecting the environment. A polymer-

coated fabric from Trelleborg is an exceptionally durable material that can withstand freezing temperatures, heat and other challenging conditions, while retaining its flexibility and elasticity.

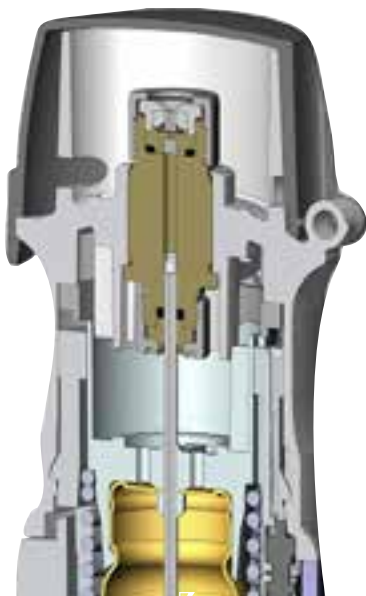


## Greener greenhouses

Certhon, a global supplier of greenhouses and technical installations, must be able to trust that the components it uses in its systems are the best on the market. An overhead suspended hot water steel pipe network is used to heat the greenhouses. Flexible hoses can be raised or lowered to deliver heat to the optimum position of growth for a plant.

In collaboration with greenhouse designers, builders and installers, Trelleborg developed the flexible Kledam

hose, providing a solution to the quality problems experienced with the hoses used in the past to heat greenhouses. The inner tube of the hose is made of a special EPDM (ethylene propylene diene monomer) compound, while the outer part of the hose is reinforced with synthetic textile material. It has rope-like flexibility, the strength of steel, does not leak, and can withstand a wide variation in environmental conditions.



## Take a deep breath

Precision is paramount for metered-dose inhalers such as Respimat®, an innovative precision instrument for the treatment of asthma and chronic obstructive pulmonary disease (COPD) from Boehringer Ingelheim. An exact medicinal dose places high demands on the technology underlying the product. If everything is to work exactly, manufacturing tolerances have to be very tight. The biggest challenge for this precision application is the silicone O-Rings at the bottom of the assembly, which prevents

the medication in the dosing chamber from running back down the capillary.

Liquid silicone is a difficult material, but for this seal, and the three other versions included in Respimat®, Trelleborg developed a new volume measurement method. Surfaces have to be perfect without any trimming and the burr where the two halves of the mold join has to be under 0.05 millimeters. This places high demands on tooling and process performance.

# Offshore oil & gas

– deeper depths, new safety standards

# Transportation equipment

– the sector that's on a roll





## Trelleborg's drivers

### Offshore oil & gas

An expanding population is driving an increasing **demand for energy**. Offshore oil and gas exploration is taking place at ever greater depths and in more remote locations, thereby increasing the complexity of the extraction process. More **advanced solutions** are required to ensure safe and efficient energy production in these demanding environments. These **selected drivers** are the reason why Trelleborg has chosen to operate in the segment.



## Trelleborg's drivers

### Transportation equipment

A growing number of **global transactions** gives rise to greater movement of people, goods and services. At the same time as borders and restrictions in global trade are changing, a trend toward greater **urbanization** and increased travel is emerging. Satisfying all of these transport needs – while also distinctly reducing the environmental impact – requires new efficient technology and more advanced transport solutions. These **selected drivers** are the reason why Trelleborg has chosen to operate in the segment.

## Offshore oil & gas

For Trelleborg, the *Offshore oil & gas* segment includes products and solutions for companies active in offshore exploration, extraction, production and transportation of oil and gas. The ever-increasing demand for energy requires major investments in exploration and extraction. Equipment placed at increasingly greater depths and further out to sea represent new challenges in terms of safety and maintenance. One of the effects of this is an increase in the pace of technology development that enables the safe transfer and transportation of LNG.

In the segment, Trelleborg focuses on solutions that increase the safety and efficiency of exploitation and extraction processes. Trelleborg's polymer engineering expertise and applications expertise ensure vital safety, whether it involves surface installations or installations on the ocean floor. The Group's solutions also reduce the need for maintenance, minimize downtime and maximize return for the operator.

Trelleborg has a global network of design and development units in all major regions of the world. Teams with manufacturing and technology expertise are on site to offer specialist support across the globe, including in hot spots such as Brazil, Western Africa, the North Sea, the Mexican Gulf and the Asia-Pacific region.

### Examples of products and applications

<b>Syntactic foam buoyancy</b>	Drill risers for drill strings, distributed and ROV buoyancy modules that provide buoyancy and insulation properties in applications used primarily in deep-sea environments.
<b>Seals</b>	Specialist seals that provide resistance to aggressive media and high pressures in various offshore installations.
<b>Thermal insulation</b>	Polymer-based insulation for extended service life and greater degree of efficiency for equipment used in deep-sea environments.
<b>Fire protection/Elastopipe</b>	Rubber-based protection, suppression and containment systems for use in the event of a jet fire.
<b>Systems for docking and mooring</b>	Electronically controlled systems that facilitate safe vessel mooring and FPSO unloading.
<b>Oil &amp; marine hoses</b>	Reinforced hoses in large dimensions for offshore oil offloading and hoses for LNG offloading.
<b>Floatover technology</b>	Elastomer elements that form part of the spring systems in LMUs (Leg Mating Units) for installation of topside structures on substructures at sea in a floatover process, which replaces conventional lifting technology.
<b>Antivibration systems</b>	Damping systems for equipment that minimize vibrations and movements on offshore installations.

## Transportation equipment

For Trelleborg, the *Transportation equipment* segment encompasses products and solutions mainly for manufacturers of ships, trains, buses, trucks and materials handling vehicles, particularly forklifts, and for the aftermarket for materials handling vehicles.

The segment is characterized by the strong economic development of several countries, mainly in Asia and South America, where both manufacturing volumes and transport volumes will increase in the long term. This will require more efficient management, both at production facilities and in connection with transportation from one location to another. Demand for materials handling equipment and trucks is growing, while governments are, in parallel, making significant investments in mass-transport systems, such as trains/railways. This is in response to urbanization, which is driving demand for more efficient travel and communications that simultaneously reduces the environmental impact of such activities.

Trelleborg's polymer-based solutions and applications expertise increase safety, improve driver comfort and contribute to more economical operation, which combined, lead to lower costs for vehicle users and manufacturers of materials handling equipment.

Trelleborg's solutions are also fundamental to the expansion of rail infrastructure globally, helping rail systems worldwide to work longer and more efficiently, with improved safety and comfort. Trelleborg has worked on everything from the London Underground to Vancouver's SkyTrain, highlighting its expert role that combines local engineering support with global supply of products and solutions.

### Examples of products and applications

<b>Antivibration systems</b>	Systems developed to minimize noise and damp vibrations in ships as well as rails and rolling stock.
<b>Speciality tires</b>	Solid tires for high loads and long service life in demanding environments, such as the construction and waste management industries.
<b>Industrial tires</b>	Specialty tires that offer long service life and fuel efficiency for materials handling vehicles, such as forklift trucks.
<b>Fire protection</b>	Fire-retardant natural rubber coating for suspension components that delays the spread of rail fires.
<b>Seals and bearings</b>	Engineered solutions that operate at high pressures and within rotating applications at speed, such as those found in trains.
<b>Engineered fabrics</b>	Polymer-coated fabrics used in, for example, rubber flooring and in bellows on trains comprising multiple carriages.



## Freshwater delivery – a subsea innovation

Northern Cyprus is in need of water from the mainland in Southern Turkey. But how can the pipeline required to carry the freshwater cross the deepest parts of the Mediterranean without being crushed by the surrounding water pressure? Trelleborg's expertise in the field of subsea pipelines in the oil and gas industry yielded an innovative solution, which involves using buoys to suspend

the pipeline at a depth of just 250 meters where it is protected from both the water pressure and shipping movements.

Because each buoyancy module comprises five elements, one of these can be damaged without significantly degrading the function of the module, which is an important feature of the solution. The elements are attached around a steel structure and consist



of a syntactic foam core covered by a robust bright yellow polymer skin. The foam comprises glass microspheres and macrospheres contained inside a wax material.



Scan the QR code to view the *Turkey to Northern Cyprus subsea water pipeline*.



## Rough going – tough tires

The top-selling tires at Kal Tire, the U.K.'s largest earthmover tire and service company, are Trelleborg's Brawler solid industrial tires. When they the company tested Brawler back in 2009, the tire life was twice that of the tires it had previously offered their customers. Kal Tire's customers are found in such industries as waste management, can operate 30 or more sites and operate 100 machines.

Choosing the right tire can make an enormous difference to the lifetime of a machine and significantly reduce the costs of running a waste management facility.

The broken glass, assorted metals, chemicals and rotting organic waste that are common ingredients at a waste management facility make for pretty rough going. When combined with heavy loads and low speeds, the tires on the waste-handling machines and vehicles are subjected to pretty harsh wear.

Brawlers have a patented elliptical hole pattern in the sidewall, allowing for much greater deflection and ride quality over broken terrain – vital qualities, particularly given the working environment.

# Continued investments in infrastructure

Efficient  
**agricultural**  
operation – a survival factor



## Trelleborg's drivers

### Infrastructure construction

Better infrastructure is required to nurture economic development in **high-growth countries**. Inadequate basic infrastructure and under-investment drive the necessary investments in more modern **solutions for an urban environment**, and in connecting **infrastructure** linking high-growth regions with the surrounding economies, such as roads, railways, harbors and tunnels. These **selected drivers** are the reason why Trelleborg has chosen to operate in the segment.



## Trelleborg's drivers

### Agriculture

A rising population demands more efficient agriculture to ensure access to food. This requires **industrialisation** of agriculture and, in certain areas, a much faster transition to **mechanical solutions**. Combined with an increase in alternative energy forms such as **biofuel**, these represent key drivers for sustainable development. These **selected drivers** are the reason why Trelleborg has chosen to operate in the segment.

## Infrastructure construction

For Trelleborg, the *Infrastructure construction* segment encompasses products and solutions for companies that construct and manage infrastructure, such as roads, railways, airports, harbors, bridges, tunnels and large buildings.

Urbanization and economic development is fuelling major infrastructure and construction projects, where high-growth countries often have inadequate basic infrastructure and have neglected maintenance. This encompasses buildings as well as infrastructure for communication, transportation and water supply/wastewater. Complex and innovative solutions, such as higher buildings and underground structures, are also needed to make the best of densely populated cities, and requires an increasingly distinct environmental focus.

Whether it is a structure above or below ground, Trelleborg's experience of global infrastructure and construction projects supports customers when specifying products that must often last a lifetime or more. Customers choose Trelleborg for two important reasons: the proven products and comprehensive solutions the Group provides.

Perhaps taking several years to complete, large infrastructure and construction projects may be designed in one country and built in another. Trelleborg's local project teams benefit from the Group's global strength and expertise when this is needed, but act as a local partner wherever the project is being undertaken.

### Examples of products and applications

<b>Bearings</b>	Laminated bearings that damp vibrations in, for example, bridges and buildings.
<b>Dredging hoses</b>	Hoses in large dimensions for dredging works in harbors and delta areas.
<b>Expansion joints</b>	Components that absorb movements between, for example, the decking and abutments on viaducts and bridges.
<b>Fenders and mooring</b>	Fender and monitoring systems for ports and harbors that provide safe mooring, thereby protecting ships and structures.
<b>Hydraulic seals</b>	Sealing configurations for hydraulic equipment used on construction vehicles, for instance.
<b>Pipe seals</b>	Polymer-based sealing solutions for water, drainage and wastewater pipelines.
<b>Tunnel seals</b>	Large sealing systems that secure sections of tunnels, making them structurally sound and watertight.
<b>Window, door &amp; facade seals</b>	Seals for windows, doors and facades of major buildings with high wind and rain resistance and high energy-saving potential.

## Agriculture

For Trelleborg, the *Agriculture* segment comprises products and solutions mainly for manufacturers and dealers of agricultural and forestry machinery, tire and machinery distribution companies, as well as end users.

The segment is characterized by ever larger and ever more efficient agriculture, implying increased investments in large tractors and tires in parallel with higher demand, which is catalyzed by a rapid mechanization trend. A growing demand for biofuels and more sustainable agriculture is also driving demand for more advanced products and solutions.

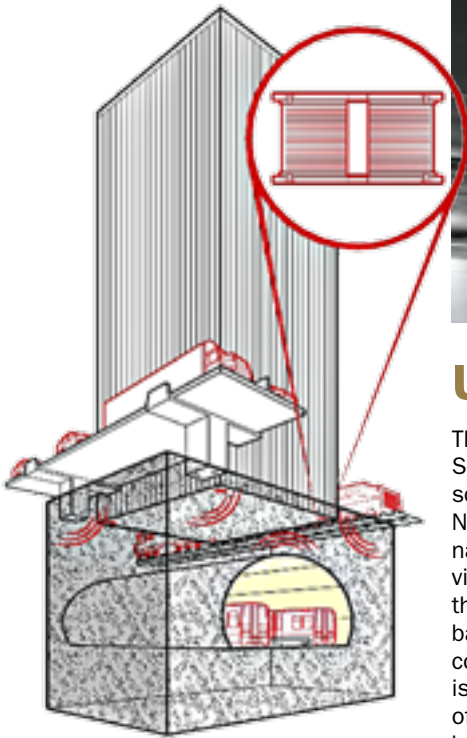
Trelleborg's goal is to help improve efficiency of food production. Research and development is focused on maximizing yield from the land and increasing the efficiency of mechanized equipment. A full understanding of farmers' needs allows Trelleborg to develop, in particular, tires, tire systems and sealing solutions that match changing agricultural requirements, such as increased on-road tractor journeys, longer maintenance intervals and growing demand for biofuels.

As a company with leading positions, Trelleborg's expertise and proven products will play a central role as the agricultural industry endeavors to meet booming global demand.

Partnerships with major OE manufacturers and distributors allow transfer of technology and ideas from one part of the world to another. This will comprise a key factor in the efforts of high-growth countries to satisfy food requirements in the future.

### Examples of products and applications

<b>Antivibration systems</b>	Systems developed to minimize noise, damp vibrations and enhance operator comfort in, for example, tractors.
<b>Hoses</b>	Specialist hoses for handling and processing food, such as in milk and wine production, and for cleaning equipment.
<b>Seals and bearings</b>	Sealing configurations for hydraulic equipment used on tractors, for instance.
<b>Tires</b>	Premium tires for tractors and other agricultural vehicles that protect crops and reduce the environmental impact by minimizing soil compression.



## Underground secret

The building that houses the National Service for Archaeology, Cultural Landscape and Built Heritage (RACM) in the Netherlands has a unique feature, namely, it is resting on some 650 rubber vibration isolation bearings located in the garage beneath the building, in the basements and on top of its many columns. The same type of vibration isolation bearings are a common feature of buildings in earthquake-prone regions, but because the RACM building is located adjacent to one of the busiest rail hubs in the Netherlands, the solution was needed to dampen vibrations from

passing trains. The bearings improve the work environment and protect the many priceless and highly fragile artifacts stored in the building.

At first glance, a vibration isolation bearing from Trelleborg looks simple; a block made of rubber layers separated by steel shim plates. However, vibrations are extremely complex to describe in mathematical terms. Factors that must be taken into account include the type of vibration (frequency, magnitude and duration) and the weight of the building at various points.



## Sweet solution

Sugarcane is not the easiest crop to harvest. The harvester moves along the rows of sugarcane and removes the leafy tops and cuts off the stalks into short pieces. The chopped pieces, called billets, are then loaded into trucks that move alongside the harvester. As the sugarcane is an extremely tough

member of the grass family, and the stubble that remains after the harvester is very hard on harvester and tractor tires. An innovative solution is required to allow the machines to travel over the destructive sugarcane stubble. Specially designed tires can cope effectively with these conditions thanks to a highly

robust design and smoother lug profile, which increases tire tread resistance. In addition, the bead width has been increased by 12 percent to boost stability on the difficult surface. This structure enables the tire to cope with high torque and provide a better load transmission to the ground.

# Aerospace

continues its global expansion



# Light vehicles

— from crisis to awareness







## Trelleborg's drivers

### Aerospace

Increased travel is symptomatic of a more **globalized** world. With **high-growth countries** as the catalyst, investments in new, lighter aircraft fleets are increasing. In parallel, energy-saving **advanced technology** enables more efficient air travel, which in turn means that remote destinations are becoming more accessible. These **selected drivers** are the reason why Trelleborg has chosen to operate in the segment.

## Trelleborg's drivers

### Light vehicles

Global growth is becoming increasingly **polarized**, with high-growth countries and certain major customers serving as the catalysts. A growing middle class, and ever increasing demand for passenger cars and more streamlined manufacturing represent future drivers for the automotive industry. The greater dominance of **global manufacturing** platforms is promoting consolidation, which is driving the need for specialisation and a **niche focus**. These **selected drivers** are the reason why Trelleborg has chosen to operate in the segment.

## Aerospace

For Trelleborg, the *Aerospace* segment encompasses products and solutions mainly for manufacturers of civilian and commercial aircraft, but also for various types of specialty products used in, for example, the space industry.

The segment is distinguished by the restructuring of aircraft fleets due to changes in air travel patterns and, not least, the need to reduce fuel consumption, leading to increasing demand for new-generation aircraft that are lighter. The industry is characterized by increasing globalization, with booming passenger numbers expected in India and China.

As a leading global supplier of polymer-based solutions to the aerospace industry, Trelleborg uses its expertise to accelerate innovations that ensure aircraft safety, improve passenger comfort and reduce operator costs. Trelleborg focuses on extending component life to maximize maintenance intervals by supplying reliable and unique solutions to meet the more demanding requirements of next-generation aircraft and a growing environmental awareness.

Trelleborg's worldwide presence is decisive for global customers. The Group has facilities, including local technical support, distributed across the world with manufacturing capacity that enables products to be manufactured using the same processes and to the same quality standards and regimes.

### Examples of products and applications

<b>Engine seals</b>	Seals that can withstand the high temperatures of aircraft engines, including specialty fire seals.
<b>Engineered fabrics</b>	Polymer-coated low-friction fabrics for evacuation slides and inflatable boats.
<b>Seals for windows and doors</b>	Seals for airframe doors and windows with high technical and aesthetic requirements.
<b>Hydraulic and actuator seals</b>	Seals for control systems, wheels and brakes, suspension components, landing gear, etc. as well as seals for aircraft actuators for wings, doors, hatches and cowlings.
<b>Specialty tires</b>	Tires for aircraft ground support equipment, such as baggage-handling vehicles and passenger stairs.

## Light vehicles

For Trelleborg, the *Light vehicles* segment consists of products and solutions for manufacturers of passenger cars of all sizes and designs.

The segment is growing: in 2012, more passenger cars were manufactured than ever before, and more than one billion light vehicles travel the roads globally. The largest market is China and it produces one in four cars worldwide. While countries such as Germany, France, the U.S., Japan, South Korea and the U.K. are still important areas of production, India, Brazil, Russia and Thailand are emerging as automotive power houses.

The automotive industry continuously innovates to improve safety, reduce fuel consumption and to run vehicles on alternative fuels. Trelleborg is an important partner to the major OE manufacturers, supporting them – through its global presence – with specialized applications expertise for various polymer-based niche solutions that seal, damp and protect.

The automotive industry was one of the first to become truly global, which is accentuated in that manufacturers now use the same platforms for their models in all regions of the world. Trelleborg offers manufacturing and technical support close to its customers, but also supports the global design and development centers that are often situated away from production sites.

### Examples of products and applications

<b>Boots</b>	Polymer-based boots that protect driveshafts and steering systems.
<b>Brake shims</b>	Noise-damping rubber and metal laminates for brakes, ensuring quieter and safer braking.
<b>Seals</b>	Sealing solutions that are used throughout the vehicle, for example, in electronic control units and in the fuel system.

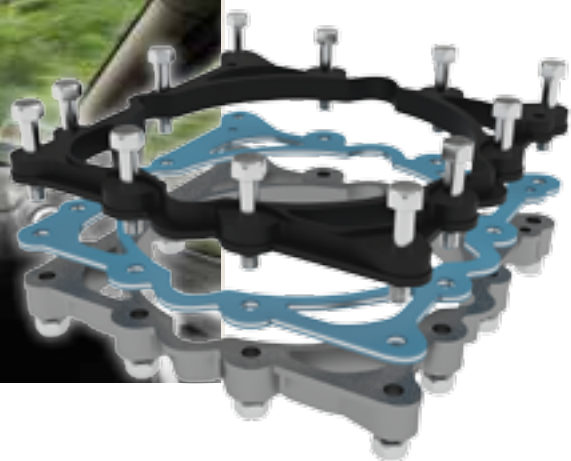


## Sealing up high

In the aerospace industry, PTFE (polytetrafluoroethylene) as a sealing material – with its low friction properties, wide operating temperature range and resistance to lubricants – represents an ideal solution for hydraulic systems. Hydraulic systems are used on all parts of the aircraft; in controls, brakes, suspension and landing gear. All flight control surfaces on the wings and tail of larger aircraft are maneuvered hydraulically. These systems require countless seals, and in most cases the requirement is for combinations of different types of seals. Their job is to keep the hydraulic media

on the outside, lubricants on the inside and generate a back-pumping effect to increase the degree of efficiency.

Quality and reliable solutions are paramount given that safety is the key aspect in aircraft manufacturing. Trelleborg has long experience of working with aircraft manufacturers, designing systems for seals, bearings and airframe components. Trelleborg was pioneering in its work with PTFE as a sealing material and its Turcon compounds and proprietary seal design have become the industry standard.



## Layer-by-layer technology for automotive innovation

Unlike other suppliers to the automotive industry, who are cutting costs and reducing prices, Trelleborg is investing in innovation. Its unique Rubore technology offers an advanced method for manufacturing two to five-layer steel-rubber laminates, and is already a world leader in brake-shim applications. Moreover, the process can be expanded to encompass seals in general.

One area where the technology has yielded major advantages is the seal design for a car's electronic control unit (ECU). Trelleborg realized that the ECU needed to be firmly sealed, since a seal failure would result in a serious safety problem. The room available within an engine compartment is severely limited, so the design must optimize use of the available space. Trelleborg's solutions

replaces an earlier design that used a metal cover for the ECU. The result, Rubore Cover Seal, combines sealing and protection of electronics in one integrated unit. The solution dispenses with costly manual installation and reduces the number of components, which in turn lowers logistics, assembly and administration costs.



# Business model in brief

Trelleborg seals, damps and protects critical applications in demanding environments. Our innovative solutions accelerate performance for customers in a sustainable way.

### What we strive for

We will be the customers' first choice in our selected market segments, creating value through high-performance solutions.

### Business concept

We seal, damp and protect critical applications in demanding environments. Our customers can rely on engineered solutions based on leading polymer technology and unique applications knowledge.

### How we build value generation

**Polymer engineering.** For more than a century, and into the future, we are pioneering applied polymer engineering and materials technology in our chosen sectors.

**Local presence, global reach.** Working globally through our local teams, we are leveraging our global strength and capabilities when needed, acting as a local partner where we conduct business.

**Application expertise.** We have leading-edge technology and in-depth understanding of the challenges our customers must overcome to seal, damp and protect critical applications.

**Customer integration.** Having close integration with markets and customers through multiple channels and excellence across touchpoints, we make it easy to do business with us.

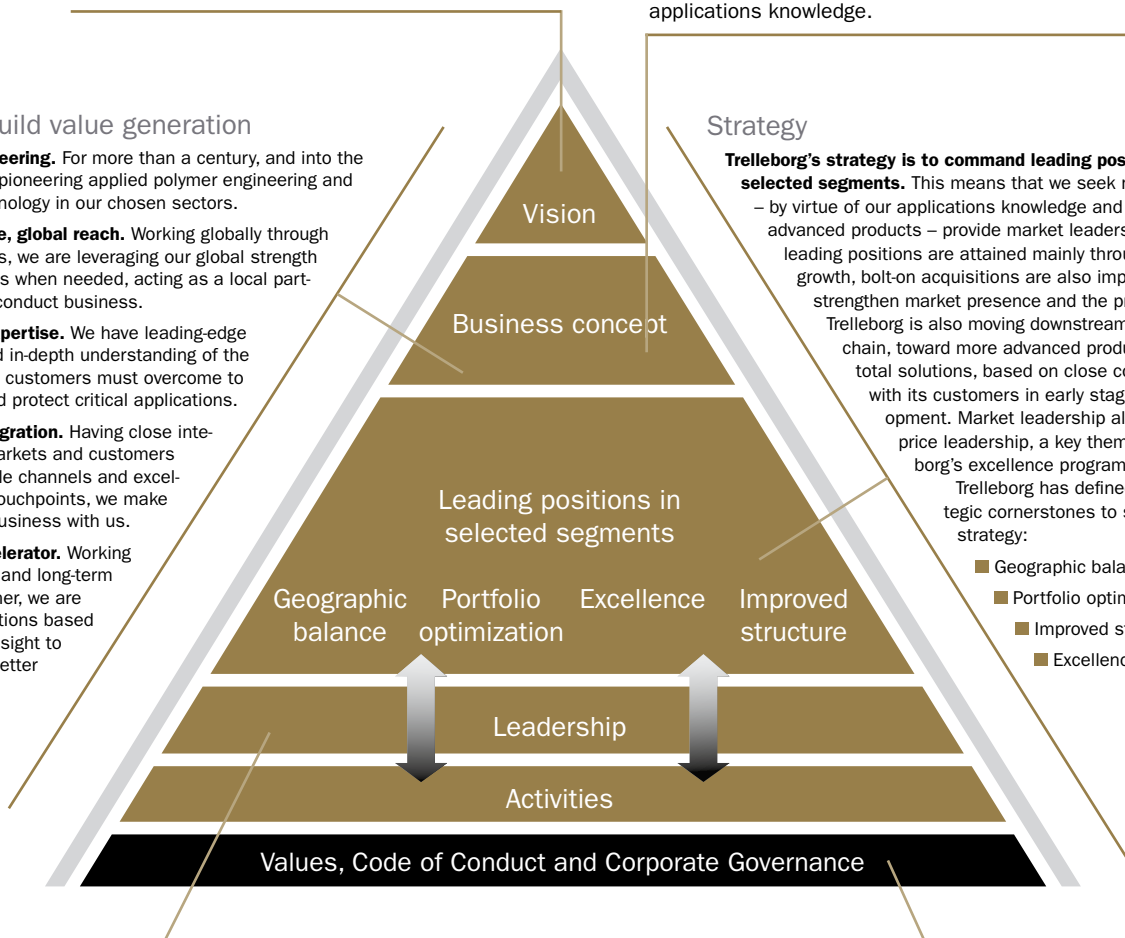
**Business accelerator.** Working as a proactive and long-term business partner, we are delivering solutions based on market foresight to contribute to better business.

### Strategy

**Trelleborg's strategy is to command leading positions in selected segments.** This means that we seek niches that – by virtue of our applications knowledge and range of advanced products – provide market leadership. While leading positions are attained mainly through organic growth, bolt-on acquisitions are also implemented to strengthen market presence and the product range. Trelleborg is also moving downstream in the value chain, toward more advanced products and total solutions, based on close collaboration with its customers in early stages of development. Market leadership also supports price leadership, a key theme in Trelleborg's excellence program.

Trelleborg has defined four strategic cornerstones to support the strategy:

- Geographic balance
- Portfolio optimization
- Improved structure
- Excellence



### Our internal culture

**Trelleborg's employee and leadership culture** is characterized by a customer focus, freedom with responsibility, knowledge development, leadership and a local base. This is combined with responsibility for the environment, ethical relationships with customers and suppliers and a positive interaction with society.

**Adding value.** In our supplier and production chain, we source and transform raw materials and components into finished solutions. The processes require additives, energy and water. Work is constantly ongoing to optimize resource efficiency and prevent and reduce risks.

### Core values

**Our core values,** a joint Code of Conduct and a corporate governance charter provide the framework for operations and create a stable, responsible and sustainable Group that benefits all of Trelleborg's stakeholders. Sustainability is an integral part of the business strategy.

# Leading positions in selected segments

Trelleborg's strategy is to strengthen positions in selected attractive and profitable market segments to create ever improving value for the Group's stakeholders.



Offshore oil & gas



Transportation equipment



Agriculture



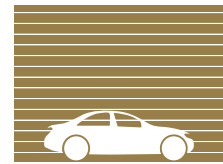
Infrastructure construction



Aerospace



General industry



Light vehicles

**Leading positions.** Trelleborg's strategy is to command leading positions in selected attractive and profitable market segments.

While Trelleborg has completed several major and future-oriented shifts in recent years, its overriding direction, business concept and strategy have remained unchanged.

In the 1980s and 1990s, Trelleborg represented a conglomerate. The Group's operations were dominated by mines and other metals, rather than rubber, composites and plastics.

At the end of the 1990s, the Group became wholly focused on polymer-based industrial operations. All other operations were divested. Over the past ten years, a number of acquisitions have taken place. These operations and market segments still characterize the Group today.

In recent years, Trelleborg has worked intensively to structure, integrate and develop its acquired operations and secure efficiency in all functions – from development, procurement and production to marketing. The purpose is to achieve favorable profitability by strengthening and developing the Group in a step-by-step process.

**Four strategic cornerstones.** Trelleborg has defined four strategic cornerstones supporting the core strategy: to command leading positions in selected segments:

- Geographic balance
- Portfolio optimization
- Improved structure
- Excellence

At an overall level, Trelleborg is focusing on increasing its presence in selected countries in order to be close to its customers and follow them in their globalization processes and to develop local customer relationships.

Improved structure and portfolio optimization involve continuously driving the operation toward more profitable niches where Trelleborg's expertise and offering provide market leadership. Investments are also being made in new technology and machinery, human capital, international management, local managers and development of local markets. Leading positions are attained through organic growth and bolt-on acquisitions to strengthen market presence and the product range.

The excellence programs are concentrated on strategic areas and are con-

trolled by targets and key performance indicators to promote continuous improvements that yield lower costs, better quality, enhanced efficiency and higher income.

**World leader.** Trelleborg is today a world leader in engineered polymer solutions. The Group's geographic balance and portfolio of operations has evolved and improved, while its market positions have strengthened. Trelleborg has moved downstream in the value chain toward increasingly advanced products and total solutions. The process of evolution has improved the Group's financial strength and profitability in recent years. The Group is now better equipped than in the past, providing a solid platform for continued improvements for leading positions in selected segments.

Trelleborg's strategic cornerstones during 2013 are described on the next two pages.

# Strategic cornerstones

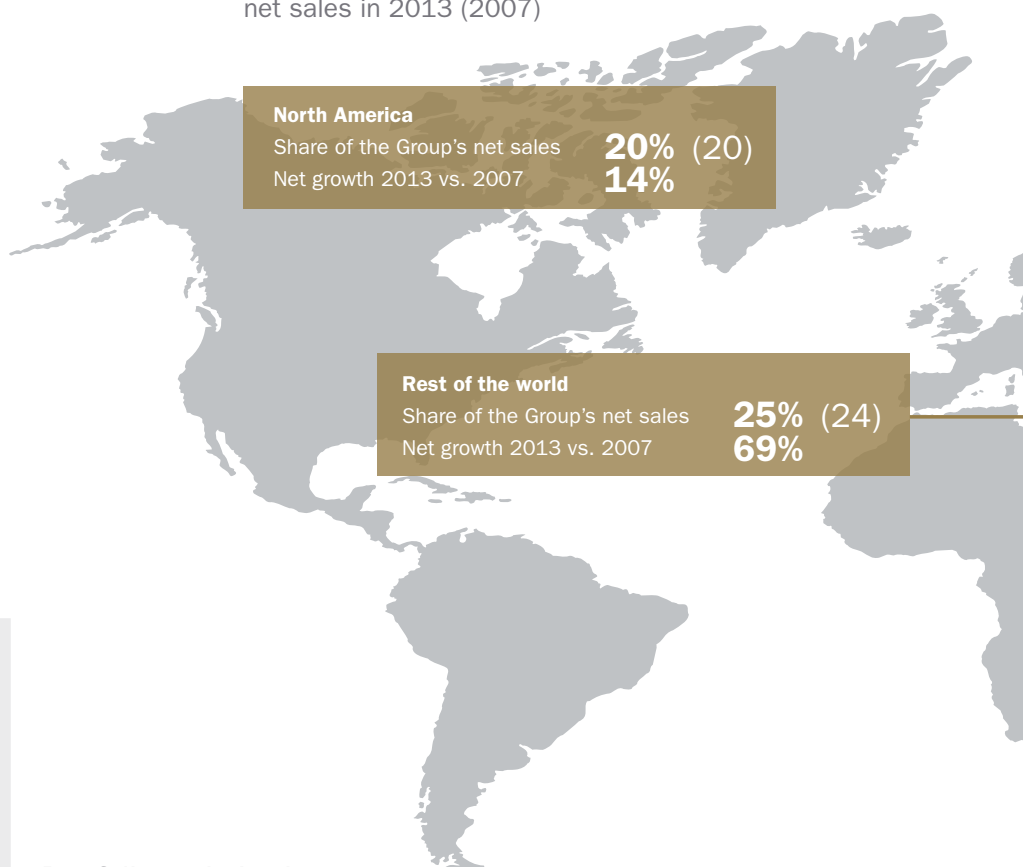
Trelleborg's strategic cornerstones, which support the core strategy of commanding leading positions in selected segments, have improved the Group's earnings and made a positive contribution to long-term shareholder value.

## Geographic balance

In recent years, Trelleborg has prioritized expansion of its market coverage in selected countries outside Western Europe and North America. The principal drivers include proximity to customers in expanding and profitable segments, following them in their globalization processes and developing local customer relationships. Trelleborg's long-term ambition is to achieve a geographic balance, where Western Europe and the rest of the world each account for 40 percent of the Group's net sales, while the remaining share continues to be generated in North America.

The illustration on the right presents the trend over the past six years.

Geographic distribution of the Trelleborg Group's net sales in 2013 (2007)



## Trelleborg's global footprint

Trelleborg has operations in 46 countries. Of the total number of employees, 91 percent work outside Sweden.

The number of employees in the Group at year-end, including insourced and temporary employees, was 15,825 (15,280, pertaining to continuing operations). In 2013, the average number of employees in the Group's continuing operations increased to 14,827 (13,905), of whom women accounted for 25 percent (26). Refer to Note 3 on pages 83-84.

Salaries and other benefits for the average number of employees (excluding insourced employees) in the Group's continuing operations amounted to SEK 4,842 M (4,645).

Personnel turnover (not taking terminations and retirements into consideration) varies between countries and facilities, and often reflects the local labor situation.

### Number of employees at year-end\*

Distributions by country	2013	2012	Change, number
U.S.	2,190	2,192	-2
U.K.	1,659	1,470	189
China	1,577	1,541	36
Sweden	1,383	1,351	32
Italy	1,343	1,308	35
France	1,088	1,062	26
Sri Lanka	845	824	21
Germany	728	732	-4
Malta	561	543	18
Poland	508	505	3
<b>Total ten largest countries</b>	<b>11,880</b>	<b>11,527</b>	<b>353</b>

\*) Including insourced and temporary employees.

## Portfolio optimization

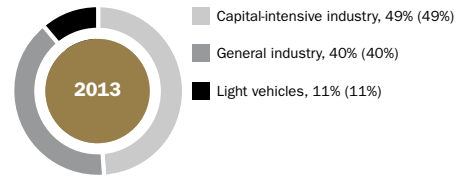
Leading positions are achieved through focused organic growth and bolt-on acquisitions. Trelleborg invests in market segments or niches where there is potential to become one of the top three

largest manufacturers. If this is not possible to achieve or an attractive proposition, operations are divested. The table below lists Trelleborg's acquisitions and divestments during the year.

Acquisitions 2013*	Net sales, SEK M	No. of employees
Sea System Technology Ltd "SeaTechnik" (marine docking and mooring systems), Trelleborg Offshore & Construction	55	40
Operation from Industriebanden Beheer B.V. (industrial tires distributor), Trelleborg Wheel Systems	50	20
Ambler Technologies Ltd. (niche company in offshore oil & gas), Trelleborg Offshore & Construction	50	55
Acquisition of cryogenic technology	-	-
After year-end: Operation from Pircher Alfred s.a.s (industrial tires distributor), Trelleborg Wheel Systems	75	20
<b>Total</b>	<b>230</b>	<b>135</b>
Divestments 2013*	Net sales, SEK M	No. of employees
Rubber mixing operation in the Netherlands, Trelleborg Offshore & Construction	75	40
<b>Total</b>	<b>75</b>	<b>40</b>

\*) A list of Trelleborg's acquisitions and divestments since 1999 can be viewed at [www.trelleborg.com/Investors/Acquisitions-and-Divestments/](http://www.trelleborg.com/Investors/Acquisitions-and-Divestments/)

Segment distribution of net sales 2013

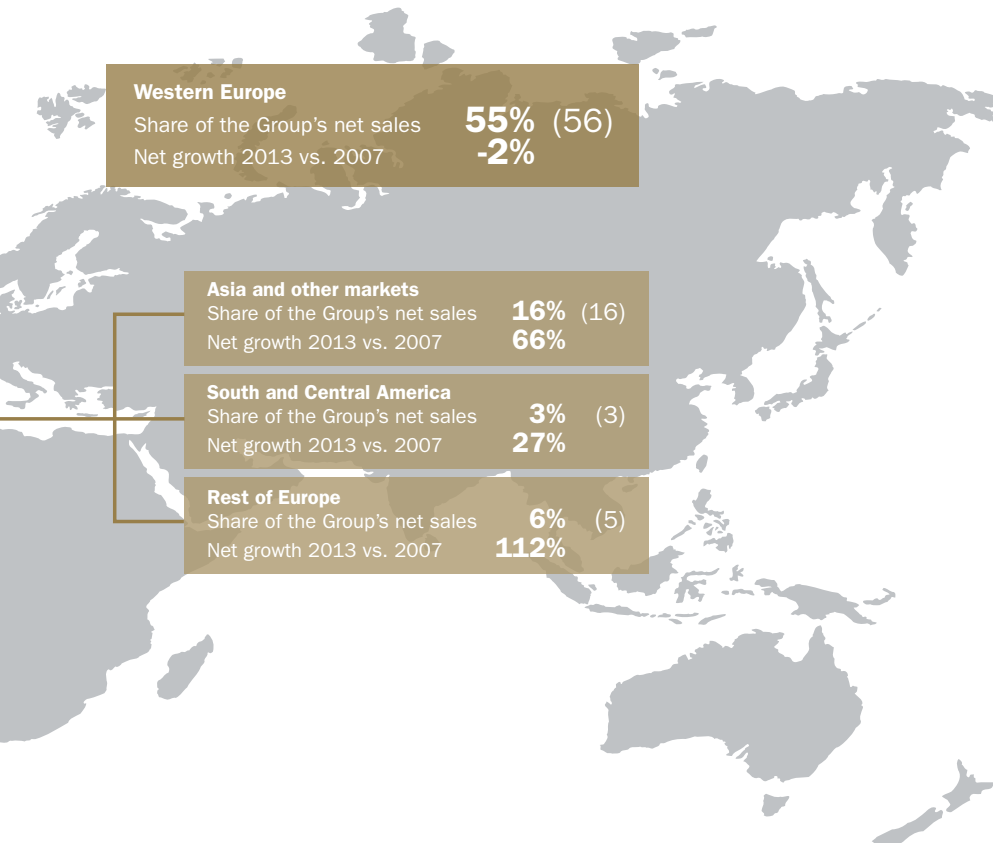


Improved structure

Trelleborg invests in new technology and machinery, human capital, international management, local managers and development of local markets, all with the aim of improving and honing structures.

In addition, the Trelleborg Group's exposure to various market segments has changed over time. For example, the light vehicles market segment accounted for 34 percent of consolidated net sales in 2011. At year-end 2013, the corresponding share was 11 percent. Another trend of the past few years is a more even distribution between early and late cyclical industry, meaning general and capital-intensive industry.

Since 2005/2006, Trelleborg has divested, relocated or closed some 40 production units in Western Europe and North America. During the same period, the Group has established or significantly upgraded some 20 units outside these regions. The aim is to follow customers in their globalization processes, but also to develop local customer relationships.



Excellence

Trelleborg works proactively and systematically to enhance its core processes. The objective is excellence; to eliminate all types of waste, and to instead use these resources to continuously improve operation and profitability. The Group has excellence programs for purchasing, sales, working capital and production, respectively.

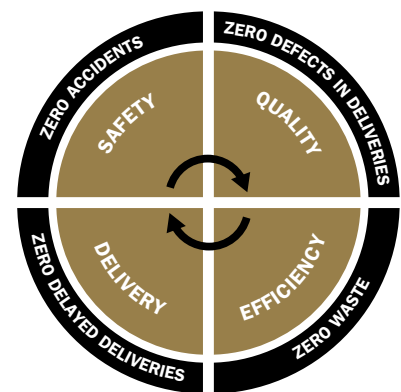
**Purchasing Excellence.** The primary goal of the *Purchasing Excellence* program is to ensure that all purchasing follows the same process – regardless of who implements a purchase – with a uniform set of objectives and deadlines for all potential suppliers, definite dates for purchasing decisions and clear rules for decision-delegation.

**Sales Excellence.** The *Sales Excellence* program comprises Group-wide initiatives involving mobilization and coordination in selected geographic markets and

segments. It also encompasses a training project under the *Trelleborg Group University* umbrella, which includes courses in sales and strategic marketing. In addition, the program includes a shared initiative aimed at developing the company's digital market communication.

**Working Capital Excellence.** The purpose of this program is to minimize the capital base and thereby unlock capital. The program comprises specific efficiency-enhancement measures for inventories, accounts receivable, accounts payable and other working capital.

**Manufacturing Excellence.** For the past years, Trelleborg has conducted a Group-wide program at all of its production sites based on a systematic endeavor to effect continuous improvements and achieve world-class manufacturing, thereby increasing cost efficiency and competitiveness.



The foundation for the *Manufacturing Excellence program* is a maturity analysis that assesses the current status and establishes local objectives and activity plans. The operating environment and conditions vary for each operation, but shared key figures linked to the four objectives of efficiency, quality, safety and delivery (see diagram above) have been established and have been monitored on a monthly basis since 2012.

*Energy Excellence* is a component of *Manufacturing Excellence* and aims to realize a gradual reduction in energy use in relation to sales.

# Innovation for better function, business and sustainability

Trelleborg's innovation is based on custom-designed polymer solutions that seal, damp and protect critical applications due to their durability, elasticity and robustness. The solutions accelerate customer performance and make a positive contribution to society.

For more than a century, Trelleborg has been a global leader in custom-designed engineered polymer solutions and advanced materials technology in selected market segments. Trelleborg's offering satisfies a broad spectrum of requirements from industrial customers looking to seal, damp and protect critical applications in a sustainable way.

At the core of Trelleborg's innovative capacity is its ability to tailor polymers to customer-specific requirements for elasticity, hardness and resistance. However, Trelleborg's focus on innovation not only involves improving function, but also providing knowledge that results in better businesses – such as information about how to optimize the efficiency of manufacturing and processes through insight into production solutions, systems thinking and services.

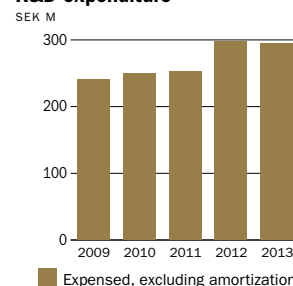
**Value-generation, results and close communications.** Trelleborg aims to use its innovative expertise as a resource to enable customers to take the next step

in accelerating their development of competitive solutions. This requires an understanding of how the customer's manufacturing and processes can be conducted efficiently – in other words, knowing what it will take for its solutions to contribute to positive business results. Trelleborg works in close proximity to its customers, serving as a local partner with the reach and capacity of a global company. This is regardless of whether the solutions are intended for use in outer space, in the air, on land, at sea or below sea level.

The Group's employees support and communicate with customers through a wide variety of market channels. Trelleborg will continue to invest in digital solutions as a means of enhancing service to existing customers and reaching new customers.

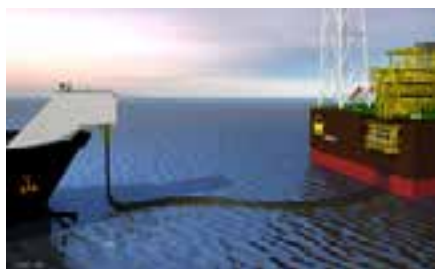
**Research and development conducted at three levels.** The first level comprises basic knowledge of the physical and chemical properties of polymers and

**R&D expenditure**



other material. The second is knowledge of applications in the Group's global market segments. The third is the actual design of products and solutions.

**Global network of development units.** Trelleborg's development units provide advanced equipment for sound analysis, pressure, temperature and load simulation, measurement of wear and friction, system analysis and non-linear material analysis. To guarantee a high level of quality, an extensive test function has



**Tandem offloading.** Cryogenic floating hoses are used for tandem offloading, during which vessels line up stern to bow, allowing them to maintain a greater distance from one another and cope with large waves. This significantly limits the risk of collision and increases the level of safety.



**Free from solvents.** The Solventless Roller Head Line is a production line that manufactures printing blankets without using solvents. This innovation also contributes to sustainability for both the customer and society.



**MRI equipment.** Durobal® bearings are used in the tables of MRI scanners. These bearings allow the table to smoothly move in, out and laterally across the magnetic tunnel, providing added comfort and safety for the patient during the procedure.



# Blue Dimension™ – Solutions that protect people, the environment and infrastructure

Blue Dimension™ is the name used to describe the many ways in which Trelleborg's products and solutions contribute to sustainable social development by protecting people, the environment and infrastructure. The Group's solutions improve safety, while at the same time helping to save energy and reduce noise and vibrations.

**Safe underwater transport.** Trelleborg's tunnel seals can be found all over the world protecting not only the tunnels themselves, but also the people and vehicles inside. The Group's seals are designed to withstand extreme pressure and have a lifespan at least as long as that of the tunnels they protect. They are also made to resist expansion, thermal effects, settlement and earthquakes.

**Low friction means no fiction.** Friction is resistance that consumes energy. By reducing friction, we can save energy. This is exactly what Trelleborg does using such advanced solutions as hydraulic seals, unique material transportation hoses and the correct form of printing blanket for offset printers.

**Ensuring sustainable agriculture.** The outermost surface and tread pattern of Trelleborg's agricultural tires are designed to minimize compression, which preserves the productivity of soil and protects organic matter under the surface. The TM 1000 High Power tire, developed using Trelleborg's new BlueTire™ technology, also consumes 12 percent less fuel during on-road operation, with a life span that exceeds the market average by 850 hours.

**Eliminate noise.** Trelleborg is an expert in developing noise and vibration control systems. The Group's innovative brake shims for vehicles are one good example of how noise can be eliminated. The shims are made with a special lamination of steel and rubber, are easy to install and provide noise abatement and comfort for drivers around the world.



been established for such parameters as compression, fatigue, pressure resistance, wear, load, vibration and noise.

In the final phase, testing of prototypes and finished products is often performed at the customer's facility under realistic conditions.

The number of development units is steadily increasing. These units represent strategic investments to consolidate and develop the Group's position

when a market has become sufficiently large. In 2013, Trelleborg had some 40 development units in approximately 20 countries. In 2013, Trelleborg's research and development expenditure amounted to SEK 294 M (297), representing about 1.4 percent (1.4) of sales. However, the majority of Trelleborg's innovation work consists of applied development that takes place in close collaboration with customers.

**Good for customers, good for society.** Although the purely technological, process and production aspects of Trelleborg's solutions provide the primary benefits, other dimensions can be highly significant, such as solutions that also contribute to sustainable development. Trelleborg's products and solutions save energy, eliminate noise and vibrations, and protect society's infrastructure. This is what Trelleborg calls Blue Dimension™.

## Trelleborg's "15 by 15" climate-change strategy

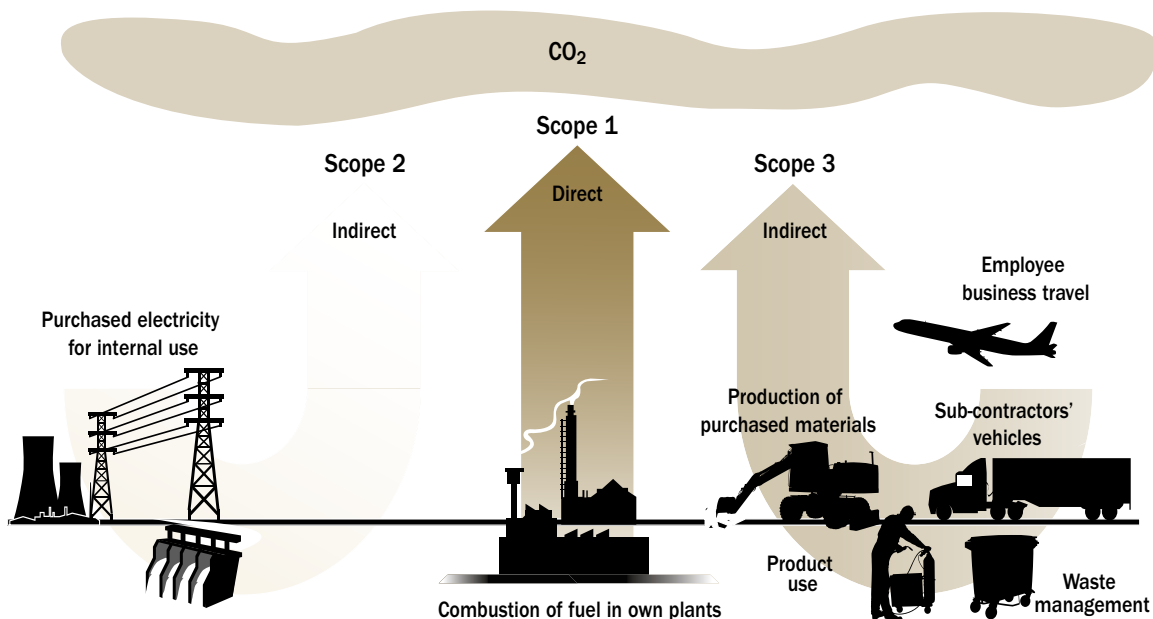
Trelleborg's goal is to reduce its direct and indirect carbon dioxide emissions by at least 15 percent, relative to sales, by the end of 2015 – "15 by 15", based on 2008 as the reference year. The emissions in question are caused by energy produced internally and are included in **Scope 1** of the *Greenhouse Gas Protocol* (see diagram below), as well as those caused by energy purchased for internal use, which corresponds to **Scope 2**.

Ongoing *Energy Excellence* activities (see pages 37 and 42) have reduced energy consumption in Trelleborg's pro-

duction since 2009, and simultaneously led to an overall reduction in carbon dioxide emissions. Compared with 2008, a 14-percent improvement has occurred, although compared with last year, there was a 5-percent deterioration due to a different energy mix in the acquired units.

**Scope 3** includes indirect emissions from transport, travel, purchased materials, product use and waste management. Focus on reducing these types of indirect emissions is gradually increasing in Scope 3.

Read more about climate-related opportunities and risks at [www.trelleborg.com/cr](http://www.trelleborg.com/cr).





# Employee culture based on knowledge development and security

Trelleborg represents an employee and leadership culture characterized by a customer focus, freedom with responsibility, knowledge development, leadership and a local base.

Employee motivation and security is based on clear goals, job satisfaction and further development opportunities. The framework is provided by the principles in Trelleborg's Code of Conduct concerning secure working conditions, responsibility for the environment, ethical relationships with customers and suppliers, and positive interactions with the society in which Trelleborg operates.

Trelleborg's decentralized structure and culture are based on the Group's close proximity to customers and solutions with a high technology and knowledge content. A key component of Trelleborg's efforts to provide greater opportunities for best-practice sharing and communication between the company's highly qualified employees – today and in the future – is the Group's intranet *T-Talk*, featuring functions that enable collaboration around business opportunities and customer solutions.

Another important step for knowledge development is the *Trelleborg Group University*, launched in 2013, which gathers all programs and courses conducted at Group level, in such areas as leadership, production, purchasing and sales.

**Work environment – health and safety.** Trelleborg's long-standing *Safety@Work* program aims to promote a shared safety culture by implementing improvement programs with preventive and corrective measures at all production units. The program strengthens the Group's endeavors to attract, develop and retain talented employees. The program is monitored using selected indicators that aim to reduce the number of work-related injuries, illnesses and absenteeism.

Trelleborg's facilities continue to

demonstrate a positive trend in cases of work-related injuries/illnesses. In 2013, 209 cases (255) resulting in at least one day's absence (Lost Work Cases, LWC) were reported. The number of LWC per 100 employees per year was 2.0 (2.49), while the average number of working days lost per injury was 29 (25).

Work-related injuries and illnesses defined as LWC per 100 full-time employees per year should be lower than 3.0 at each individual production site. In 2013, about 75 percent of Trelleborg's facilities met this target. The average number of working days lost per injury per year should be lower than 50 at each individual site. This target was also met by approximately 75 percent of the sites in 2013.

In 2013, the average number of points in the *Safety@Work* risk model (the points received by a facility based on the model) in audits and self-assessments was 855 (882).

The goal is for all of Trelleborg's facilities to have a well-functioning safety committee. In 2013, such committees – with representation from plant management – were in place at 93 percent (93) of the facilities.

**Absenteeism in Sweden.** In 2013, total absenteeism at the Group's units in Sweden amounted to 3.5 percent (3.9) of normal working hours.

**Workplace relationships.** Continuous change processes take place in Trelleborg in connection with acquisitions, divestments and rationalizations. Accordingly, a primary task is to provide conditions for change and, with respect for each employee, reduce the level of uncertainty and insecurity, while also

ensuring the company's continued competitiveness. Trelleborg always complies with local legislation or collective agreements in relation to lay-off notices.

In 2013, Trelleborg divested one operation (2) (see page 36).

**Human rights** comprise fundamental rights defined by various conventions and declarations in respect of child labor, forced labor, freedom of association and collective agreements, diversity issues and gender equality. All of these areas are addressed in Trelleborg's Code of Conduct. The Group's whistleblower policy entitles each employee, without repercussions, to report suspicions of any legal or regulatory violations. Within the scope of Trelleborg's ERM process for risk identification and evaluation, none of the Group's units have deemed the risk of human rights violations to be significant. The *Folksam* Corporate Responsibility Index is conducted every second year and shows the progress made by Swedish listed companies in the area of sustainability. In 2013, Trelleborg received four out of seven stars for its human rights work, the same result as in the 2011 index.

No cases involving fines or sanctions for non-compliance with legislation or regulations occurred in 2013.

**Child and forced labor.** Trelleborg has collaborated with Save the Children for a number of years – a project that is consistent with the company's support for activities for children and young people all over the world (see page 65) and also strengthens expertise in the area of child labor. In 2013, there were zero child or forced labor violations (0).

**Freedom of association.** Trelleborg's policy is to acknowledge trade unions

## Preventive anticorruption measures

Trelleborg's long-standing Group-wide *Compliance Program* is continuously developed. The program was launched in 2008 and was initially intended to address issues pertaining to competition law. Since then, the program has been expanded and new countries, subsidiaries and subject areas have continuously been added. The program now encompasses issues pertaining to competition law, anticorruption, trade in products or with countries that are subject to trade restrictions or international sanctions, and behavioral and ethical issues (such as discrimination and whistleblower

issues). The program also includes extensive activities related to U.K. and U.S. anti-corruption legislation, as well as specific legislation in the U.S., such as the *Dodd-Frank Wall Street Reform and Consumer Protection Act* (conflict minerals) and legislation pertaining to the regulation of technology transfer.

**Critical for Trelleborg's credibility.** Trelleborg's *Compliance Program* is a long-term effort. All individuals who represent Trelleborg as a global leader in engineered polymer solutions must understand that the

Trelleborg brand is affected by the actions of the Group's employees.

**Zero tolerance of corruption.** Trelleborg takes a zero-tolerance approach to all forms of corruption. Each and every employee is obligated to comply with the Group's policies, and the *Compliance Program* has been designed to clarify exactly what is required. The program applies to the highest level of management and middle managers, as well as employees working in the field and on the shop floor.

and the right to collective agreements. A total 51.5 percent (43.5) of Trelleborg's employees at the Group's production units are represented by a trade union through collective agreements.

**Diversity and gender equality.** No discrimination of employees on the grounds of gender, religion, age, disability, sexual orientation, nationality, political views, social background or ethnicity is permitted. In 2013, one case (8) of discrimination was reported and reviewed. The case is still under investigation.

A new initiative was launched in 2013 focusing on younger employees – "Generation Y" – born in 1980 and later with the aim of analyzing their needs and expectations in the workplace. The survey (completed by 778 people, corresponding to a response rate of 79 percent) and subsequent workshops conducted under this program represent part of Trelleborg's work in the area of employee development, which reflects the Group's ambition of being an attractive employer.

**Talent Management** within the Group is aimed at having the right person in the right place and creating competitive advantages, matching talents to suitable assignments. The process is designed so that the company's recruitment requirements reflect individual career development plans.

**Talent Review Process.** The main purpose of the Talent Review Process is to identify employees with the potential to advance, on the basis of their employee performance reviews, thus ensuring that the company's leadership recruitment needs are met. Unit and HR managers meet regularly to discuss potential candidates in their own business areas

and units. Where necessary, *Development Centers* are engaged to verify potential and determine development requirements. Employees who are selected receive a personal development plan that follows them along their career path. The talent base and leadership recruitment plan are presented to Trelleborg's Board. Trelleborg aims to nurture internal talents in the best possible manner. The number of management or specialist vacancies advertised on the Internet/Intranet internally in 2013 was 197 (165).

**Performance appraisals** take the form of coaching to encourage motivation, performance and development, and follow a common Group-wide structure. If an employee demonstrates leadership potential, a career development plan will be established. A new system for coordinating and archiving the reviews was implemented in 2013.

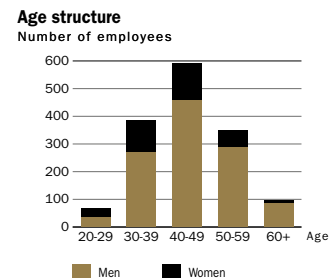
In 2012/2013, a total of 96 percent (2011/2012: 80) of salaried employees at levels 1-7 (where level 1 is the CEO, level 2 comprises those reporting to the CEO, etc.) participated in performance appraisals.

**Training and development.** Trelleborg's fundamental principle for employee development is to offer training that not only increases proficiency, but also strengthens the social and financial opportunities of the Group's employees. Under the *Trelleborg Group University*, which was launched in 2013, this development will be further strengthened at Group level by introducing an overall concept and new training courses. A wide variety of training options is offered in each business area, as well as locally.

In 2013, the average number of training hours per employee was 17 (17).

**Salary and rewards.** A key factor for ensuring the Group's long-term success is a reward system that recognizes employees performance. The framework for this is outlined in the global Compensation and Benefits Policy. Management remuneration is described on pages 60-61.

### Age and gender at management levels 3-5



This diagram shows the age structure and gender distribution of middle managers at management levels 3-5 in Trelleborg's units. Level 3 corresponds to employees who report to the business area president. The largest age category is the 40-49 age bracket.

The proportion of women is highest in the youngest age categories: 51 percent in the 20-29 age bracket and 30 percent in the 30-39 age bracket. The proportion of women in executive management positions is 0 percent (0) and the proportion of women on the Board of Directors is 29 percent (29).



# Increasingly efficient resource utilization

In Trelleborg's production process, raw materials and components are transformed into finished solutions using additives, energy and water. Continuous efforts are made to optimize the Group's resource efficiency and prevent risks.

Having displayed an extremely positive trend for a number of years, a number of environmental key performance indicators moved in the wrong direction in 2013. In terms of carbon emissions, this is primarily due to Trelleborg's geographic shift toward markets with less favorable energy mixes items of carbon dioxide. In relation to VOC emissions, the change partially reflects a new business mix for printing blankets. All negative changes are always the subject of active analysis and measures by Group Management.

For several years now, Trelleborg has conducted its successful Group-wide *Manufacturing Excellence* program at all of its production facilities. The program is based on systematic work toward continuous improvements to achieve world-class status as a manufacturer, with joint indicators linked to the four areas of efficiency, quality, safety and delivery. Read more about the program on page 37.

The Folksam Corporate Responsibility Index measures the progress made by Swedish listed companies in the area of sustainability. In 2013, Trelleborg received four out of seven stars for its environmental work, the same result as in the most recent survey year 2011.

**Environmental management.** A cornerstone of the Group's production facilities is the ISO 14001 environmental management standard. According to the Group policy, all major units must have ISO

14001 certification. At the end of 2013, 78 facilities (69) were certified, corresponding to approximately 82 percent (78) of all facilities. The target level is certification of 85 percent of facilities.

**Raw materials.** The Group's principal raw materials are polymers (rubber, composites and plastics) and metal components, as well as additives comprising softening agents (oils), fillers such as carbon black, and vulcanizing agents (sulfur, peroxides). Of the raw rubber consumed, approximately 43 percent (41) is natural rubber and 57 percent is synthetic rubber.

Trelleborg's environmental policy stipulates that hazardous substances and materials are, to the greatest extent possible, to be reduced and replaced in products and processes. As a chemical user, Trelleborg is affected by the EU REACH regulation. Activities carried out in 2013 to adapt the Group's operations to REACH continued to focus on communication with suppliers and customers regarding REACH-related issues to ensure compliance.

**Energy and climate impact.** A significant portion of the Group's energy consumption – and thus its climate impact – is connected to fossil fuel combustion (direct energy and emissions) and purchased electricity, steam and district heating (indirect energy and emissions). Non-production units were also included in the calculations of total

energy use in 2013, which amounted to 873 GWh (859).

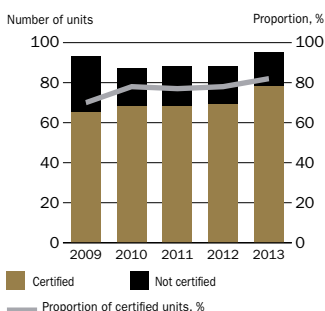
The total energy use per SEK M amounted to 0.041 GWh (0.040). Direct energy use was 383 GWh (391).

In 2013, total CO<sub>2</sub> emissions amounted to 260,800 tons (244,600), of which direct CO<sub>2</sub> emissions amounted to 81,800 tons (84,600), representing a decrease. Trelleborg's "15 by 15" climate target, adopted in 2009, addresses direct and indirect carbon emissions (see page 39).

Total CO<sub>2</sub> emissions per SEK M were 12.1 tons (11.5), corresponding to a 5-percent deterioration. This is largely attributable to recently added facilities, where the energy mix from a CO<sub>2</sub> perspective is less favourable than for the average site (reporting of indirect emissions applies national conversion factors from the *Greenhouse Gas Protocol*).

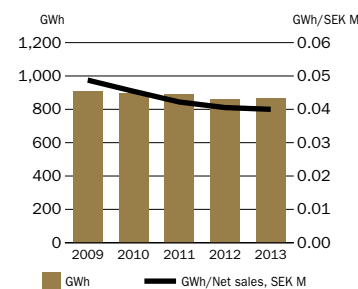
Trelleborg's initiative for systematic energy optimization, *Energy Excellence*, (part of the *Manufacturing Excellence* Program) has been introduced at all production units and resulted in lower energy consumption, costs and CO<sub>2</sub> emissions. Over the past five-year period (2009-2013), the Group's energy use has decreased by 19 percent relative to sales. *Energy Excellence* is based on a self-assessment tool linked to guiding documents specifying methods to gradually reduce energy consumption through optimization processes in various areas, such as buildings, heating/ventilation, com-

### Environmental Management System



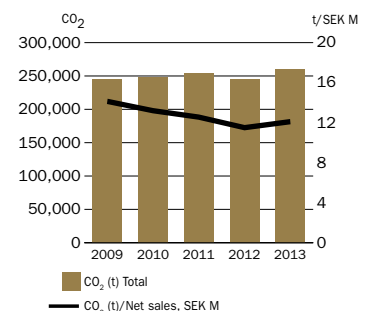
The proportion of certified units was 82 percent, representing an improvement on the preceding year.

### Energy



While the *Energy Excellence* program improves energy efficiency over time, development was flat in 2013.

### Climate impact



In 2013, total CO<sub>2</sub> emissions increased in absolute terms and relative to sales due to less favorable national energy mixes in acquired facilities.

# Environmental risks

A total of 1 case (2) of unforeseen emissions were reported in 2013, corresponding to 0.3 m<sup>3</sup> (8). The entire volume comprised hydrocarbons. Historically, the handling of oil and solvents has given rise to soil and groundwater contamination. Remediation of contaminated soil is currently under way at 11 plants (11). Another 10 facilities (12) are expected to require remediation, although the

extent of the remediation has not yet been determined. In addition, Trelleborg is participating as one of several formal parties in another 5 cases (5) of remediation (3 in Sweden and 2 in the U.S.), although with a marginal cost responsibility.

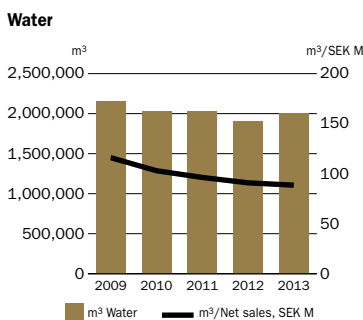
The Group's provisions for environmental commitments amounted to SEK 61 M (55) at year-end. When conducting

acquisitions and divestments, Trelleborg performs environmental studies of the companies to assess and outline their environmental impact and to identify potential environmental liabilities. In 2013, studies were performed at 15 sites in conjunction with acquisitions and divestments.

pressed air, lighting and cooling systems. *Energy Excellence* is gradually being built out by adding modules, the most recent of which address such items as motors, presses, autoclaves and furnaces. The Group's total energy costs for 2013 amounted to SEK 517 M (495).

Since 2007, Trelleborg has participated in the voluntary reporting process of the CDP (formerly the *Carbon Disclosure Project*), where it openly reports all relevant performance indicators and data pertaining to greenhouse gas emissions, as well as the measures being taken to prevent a negative climate impact. In the CDP Annual Report for 2013, Trelleborg received a score of 75 B, compared with 74 C in 2012. The figure of 75 indicates the level of detail and comprehensiveness in the company's climate information, while the letter B reflects the company's CO<sub>2</sub> performance score, with high-performing companies receiving a score of A or B. It is worth noting that Trelleborg has improved its performance score from a C in 2012 to a B in 2013.

**Water.** Water consumption in 2013 was 2.0 million m<sup>3</sup> (1.9). In terms of the amount of water extracted per source, 44 percent was extracted from drinking water, 27 percent from the company's own wells and 29 percent from surface water. Water in production is mainly used for cooling and cleaning. Major savings have been made since 2008 by using, for example, recycling systems. Emissions to water are limited but mainly comprise organic matter.



Total water consumption includes water used in production and, for example, sanitary water.

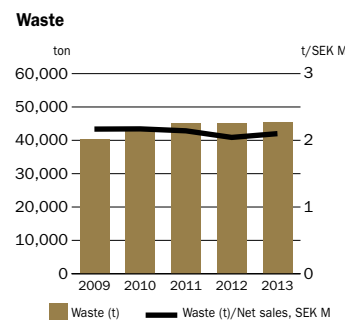
**Waste.** The total amount of waste in 2013 was 45,350 tons (43,400). The amount of waste per SEK M was 2.1 tons (2.0). Continuous efforts to identify waste disposal alternatives with a higher degree of recycling and lower cost are ongoing in the local operations. Recycling is carried out by external partners and internally. In 2013, the Group's total waste management cost amounted to SEK 34 M (35) and was distributed as follows: 3 percent to internal recycling, 46 percent to external recycling, 12 percent to energy recovery, 31 percent to landfill and 8 percent to other waste management services. Of the total waste, rubber accounted for slightly more than 27 percent (27). The volume of environmentally-hazardous or health-endangering waste requiring special treatment amounted to 5,500 tons (3,900).

**Emissions to air.** In addition to energy-related emissions – such as carbon dioxide (see page 42); sulfur dioxide, 189 tons (263); and nitrogen oxides, 38 tons (42) – the company's emissions to air primarily comprise volatile organic compounds (VOC). VOC emissions in 2013 totaled 1,049 tons (854). Emissions per SEK M amounted to 0.049 tons (0.040). VOC emissions mainly originate from the use

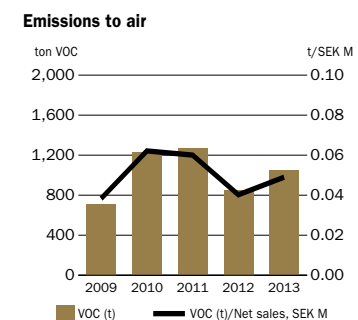
of adhesive agents containing solvents and the manufacturing of printing blankets. Developments in 2013 focused on ongoing projects aimed at reducing emissions, for example, through the introduction of the *Solventless Roller Head Line* for the production of printing blankets in Italy (see page 38). However, the autumn 2012 acquisition of the Brazilian manufacturer of printing blankets had a negative impact on the Group's overall performance for the year due to a type of manufacturing process for smaller series that will require structural improvement measures.

**Permits and breaches.** Of the companies with manufacturing facilities, 60 percent (55) are required to hold permits under local law. All companies with manufacturing facilities in Sweden, 21 in total, are required to hold permits or report their activities. Renewal applications for environmental permits are currently being processed for 51 companies, of which 1 is in Sweden. All of these are expected to receive the permits requested. During the year, the terms of permits or local health and safety legislation were breached at 1 facility (2). This case resulted in zero fines (2).

Indicators	Related to net sales, SEK M			
	2013	2012	2013	2012
Energy (GWh)	873	859	0.041	0.040
Climate impact (ton CO <sub>2</sub> )	260,800	244,600	12.1	11.5
Water (m <sup>3</sup> )	2,000,000	1,900,000	88.5	90.9
Waste (ton)	45,350	43,400	2.1	2.0
Emissions to air (ton VOC)	1,049	854	0.049	0.040



The amount of waste increased in absolute terms, while there was also a slight increase relative to sales.



Total emissions of volatile organic compounds rose in absolute terms and relative to sales.

# Risks and risk management

All business activities involve risk. Risks that are effectively managed may lead to opportunities and value creation, while risks that are not managed correctly could result in damage and losses.

The ability to identify, evaluate, manage and monitor risks plays a central role in steering and controlling Trelleborg's business operations. The aim is to achieve the Group's targets while applying well-considered risk-taking within set parameters.

Trelleborg's operations are aimed at a broad range of customers, market segments and niches, with a wide geographic spread. Sales (invoicing) are conducted in just over 130 countries worldwide and the Group's manufacturing operations are carried out at about 95 continuing production units in some 40 countries. While the business is diversified – providing Trelleborg with an effective underlying risk spread – a number of risks remain.

As one of the leading companies in the polymer industry, Trelleborg is subject to high expectations from all of its stakeholders. It is thus crucial that events and conduct that could have a negative impact on the company's brand and credibility are monitored and minimized.

Actions or decisions that are beyond Trelleborg's control, but could result in operational disruptions, damage or losses with a significant impact on the entire Group are also important to monitor and maintain preparedness for.

The Corporate Governance Report on pages 54-56 contains a detailed description of the internal control procedures used to manage risks in the Group's financial reporting.

**Enterprise Risk Management.** Trelleborg has established an *Enterprise Risk Management process* (ERM process) that provides a framework for the Group's risk activities. The purpose of the ERM process is to provide a Group-wide overview of Trelleborg's risks, to evaluate them, provide a basis for decision-making regarding the management of risks and to enable the follow-up of risks and the manner in which they are managed. Within the scope of the ERM process, risks in the Group's companies, business areas, business units and processes

are identified, evaluated, managed and monitored. The management of risks is performed through an appropriate balance between preventive and risk-reducing measures. The various risk processes and tools of the ERM process are continuously developed by integrating previously established risk management processes and systems into various parts of the Group and by strengthening risk management in areas with improvement potential.

**Responsibility.** Like the *ERM Board*, the ERM process and work pertaining to specifically selected risk focus areas are controlled centrally by the Group's Risk Management staff function led by the General Counsel, who assumes ultimate responsibility.

In addition to representatives of the Risk Management and Internal Control staff functions and the Group's General Counsel, the *ERM Board* comprises the Group's CFO and selected business area representatives tasked with coordinating and prioritizing the risks and risk processes and ensuring that there is clear ownership of prioritized risks.

All managers in Trelleborg's companies, business areas and business units are responsible for risk management in their own respective areas. This responsibility encompasses the day-to-day work pertaining to operational and other relevant risks, as well as leading and developing risk management activities. The managers are supported by central Group resources in the form of the Risk Management, Internal Control and Group Treasury staff functions, as well as Group-wide risk processes and tools. Moreover, since certain selected risk management activities are considered Group-wide, these central Group resources can be allocated to selected risk focus areas and prioritized risks.

Group Treasury is responsible for financial risk management activities. The unit is in charge of Group companies' external bank relations, liquidity management, net financial items, interest-bear-

ing liabilities and assets, Group-wide payment systems and netting of currency positions. Centralization of the Group's treasury management ensures substantial economies of scale, lower financing costs, tight management of the Group's financial risks and improved internal control.

Trelleborg's Treasury Policy defines the financing operation's purpose, organization and distribution of responsibility, and also prescribes a framework for financial risk management activities.

**Monitoring.** Trelleborg's risk management is systematically monitored by Group management using such tools as monthly reports from the managers in charge, in which they describe the status within their respective areas of responsibility as well as developments of identified risks. The Group's General Counsel reports on a continuous basis to the Audit Committee regarding the Group's risk activities and risk management and the Group's CFO reports regularly to the Audit Committee on the development of financial risks. Furthermore, the President regularly provides the Board with reports on the development of the Group's risks.

The Group's companies, business areas and business units use a consolidation system for systematic identification, analysis, evaluation and monitoring of the management of reported risks.

**ERM priorities in 2013.** The ERM process was further developed during 2013. The *ERM Board* was expanded to include all of the chief financial officers of the Group's business areas, as well representatives for the Internal Control staff function. This method of working has resulted in a more holistic view of the Group's risks and greater coordination of initiatives related to specially selected risk focus areas. The main change was the increased cooperation between the Legal Department, the Risk Management staff function and the Internal Control staff function.

Within the framework of the ERM and

strategy processes, the focus was on jumbo risks, meaning risks that can result in damage or losses that may have significant impact on the entire Group and therefore motivate the risk being handled from a Group perspective. Risk activities in 2013 continued to focus primarily on selected risk focus areas and prioritized the following risk areas: protection of sites of critical importance for the Group's operations and earnings, risk processes and quality in agreements concerning products and applications in environments with elevated risk levels, and training in the area of competition legislation for senior executives (see page 41).

Specific action plans were established to significantly raise the level of protection, and implementation of these measures commenced at 29 sites.

Three of these facilities were designated at the Highly Protected Risk (HPR) level, the highest risk classification, bringing the Group's total number of HPR facilities to ten. The future aim is to raise an additional five sites to this level.

**Activities in focus in 2014.** Examples of prioritized ERM activities in 2014:

- Broadening the ERM work concerning corporate governance and monitoring, and increasing indirect participation at the organizational and geographic level.
- Conducting broader and more in-depth risk assessments of products and applications in environments with elevated risk levels and providing more customized tools and solutions.
- As part of the *Manufacturing Excellence* program, implementing processes for

handling and storing chemicals at production units, ensuring an adequate fire and safety protection level, and addressing work environment risks (*Safety@Work*).

- Further development of the extensive training program to strengthen the Group's processes for managing contractual and other legal risks that may arise relating to deliveries of products for particularly demanding environments.
- Enhancing structures for quantifying the cost of risk arising in the various stages of Trelleborg's value chain and developing tools for the Group's business units to support the management of risks and associated costs.



### Strategic and operational risks

Strategic risks include external factors that could impact Trelleborg's operations, and internal factors that could impede opportunities to achieve the operation's strategic goals.

Operational risks are risks that Trelleborg is able to control itself and that largely pertain to processes, assets and people. Operational risks also include financial risks, which are presented on pages 48-49.

Risk	Policy/Action	Risk level	
		Probability 1-3	Financial loss 1-3
<b>Market risks</b> Trelleborg's business and earnings are exposed to market risks in the form of the economy's impact on demand for the Group's products and solutions.	Trelleborg's products and solutions are sold to a very broad spectrum of customers and sectors, with an emphasis on industry in Europe, North America and selected markets such as India, China and Brazil. Demand for the Group's products and solutions largely moves in line with fluctuations in global industrial production. Due to the diverse nature of its product range, customer base and geographic spread, Trelleborg has a slightly lower market risk than many of its competitors.  Seasonal effects occur in the various market segments. For the Group as a whole, demand is usually higher in the first half of the year than in the second half of the year.	■	■

Probability/Financial loss    ■ 1 low    ■ 2 medium    ■ 3 high

Risk	Policy/Action	Risk level	
		Probability 1-3	Financial loss 1-3
<b>Cost risks</b> The supply and price of input goods, in the form of raw materials and components, fluctuate over time and could impact Trelleborg's business and earnings.	Trelleborg does not work actively with various price-hedging instruments for input goods. It instead endeavors to establish sales agreements that allow price hikes to be passed on to the customer, immediately or with a certain delay. Trelleborg's strategy of working with several suppliers for critical input goods provides a certain degree of protection against large and sudden price hikes.	■	■
<b>Natural disasters</b> Natural disasters could cause damage to Trelleborg's sites and injure people, and result in a loss of production.	The risk of natural disasters at Trelleborg's sites is analyzed on a continuous basis in cooperation with the insurer FM Global. These analyses have resulted in such measures as improved physical site protection, raised awareness of the risks among local management and the introduction of contingency plans, including the identification of sensitive subcontractors.	■	■
<b>Site risks</b> Sudden and unexpected incidents could cause damage to sites, result in a loss of production and damage goods in transport.	A <i>Business Impact Analysis (BIA)</i> and strategy plan are used to determine how critical the various plants are to the Group's operations and earnings, and a risk status description is prepared for critical sites. Trelleborg's policy is to insure its sites for the replacement cost against interruption and property damages. The insured risk varies among the different sites, but amounts to a maximum of about SEK 2,000 M for an individual damage incident, a portion of which comprises the Group's excess amounting to a maximum of approximately SEK 15 M.	■	■
<b>Customer-related credit risks</b> There is the risk that Trelleborg's customers or counterparties in financial agreements may not be able to fulfil their payment commitments.	Trelleborg regularly assesses the credit rating of its customers and establishes credit limits for each customer.	■	■
<b>IT risks</b> Interruptions or faults in critical systems could negatively impact Trelleborg's production and financial reporting.	Trelleborg takes a proactive approach to IT optimization through a project that aims to enhance the service level of the Group's IT infrastructure, implement upgrades in a structured Group-wide manner, ensure legislative compliance in the various countries in which the Group operates and generally improve information security in and between systems.	■	■
<b>Work-related accidents</b> Work-related accidents and incidents due to inadequate safety measures or protective equipment could have a negative impact on production and on Trelleborg as an employer.	Since 2006, Trelleborg has taken a proactive injury-prevention approach to work-related accidents as part of its <i>Safety@Work</i> initiative. In 2014, this project will be integrated and coordinated with <i>Manufacturing Excellence</i> .	■	■
<b>Employee and skills supply</b> In the event that key employees leave Trelleborg or Trelleborg is unable to attract qualified employees, this could have a negative impact on the Group's operations.	The work carried out under the <i>Talent Management</i> (see page 41) and <i>Employer Branding</i> programs addresses these risks.	■	■
<b>Health-related risks</b> Problems pertaining to preventive health care and sickness absence could impact the productivity and efficiency of the operations.	Work-related injuries and illnesses are now followed up on a monthly basis under the <i>Safety@Work</i> program.	■	■
<b>Supply agreements</b> An inappropriate balance of responsibility in supply contracts could result in unexpected consequences for Trelleborg.	Trelleborg uses a <i>Contract Risk Pack</i> process to examine specifically selected contracts and contracts within specifically selected risk areas. Initial assessments are conducted by the Group company entering into the contract. The process builds on responses to a large number of questions and these responses are graded according to a defined point system. The outcome determines the extent of the contractual risk. If risks are deemed to exceed a specific level, the Group company's contract must be approved higher up in the organization by the business area president or, in certain cases, by the CEO.	■	■
<b>Products and solutions in environments with elevated risk levels</b> Deviations in the quality of Trelleborg's products and solutions could damage investments, as well as harming people and the environment.	An elevated risk level has been identified for products used in the areas of offshore oil & gas, marine oil and gas hoses, life sciences and aerospace. This elevated risk level has been determined based on such criteria as the degree of product exposure, the size of contracts and the launch of new products and technologies. The <i>Contract Risk Pack</i> process highlights the physical and technical risks of the product, solution and manufacturing process, and links these to the legal risk and the Group's insurance situation.	■	■
<b>Environmental impact of site accidents</b> Site accidents may result in adverse environmental impacts, which in turn could damage investments, as well as harming people and the environment.	Action programs have been implemented at sites with a potential risk of environmental impact. The main aim of these programs is to identify any hazardous chemicals that exist on site and determine how they are used, stored and protected. Risk analyses are conducted in conjunction with the signing of property insurance agreements, ISO 14000 certification processes, the collection of data and analysis of chemicals – for example, in connection with REACH activities – and reviews performed by local authorities.	■	■

Probability/Financial loss ■ 1 low ■ 2 medium ■ 3 high



## Regulatory compliance, including norms

Due to the global nature of Trelleborg's operations, the Group is subject to a large number of laws, regulations and rules pertaining to, for example, the environment, health and safety, trade restrictions, competition legislation controls and foreign currency controls.

Risk	Policy/Action	Risk level	
		Probability 1-3	Financial loss 1-3
<b>Competition law</b> Application of competition legislation may be ignored, which could seriously damage Trelleborg.	Understanding and application of prevailing competition legislation is ensured through such activities as comprehensive training seminars and e-learning, a thorough review and examination of distributor and agent agreements, and established procedures for approving membership in organizations. In the U.S., Trelleborg also carried out an <i>Enhanced Compliance and Training Program</i> to further raise the level of knowledge regarding competition legislation among the Group's U.S. employees, particularly in respect of public procurement.	■	■
<b>Corruption</b> Risk of corruption and fraud may occur at Trelleborg.	Trelleborg's main tools for counteracting corruption are its Code of Conduct and continuous training. The Group has also implemented a special training program in response to the introduction of more stringent anticorruption legislation in the U.K. Application is ensured through the establishment of procedures involving <i>Acceptance Letters</i> issued by the Group's CEO, whereby relevant employees sign a letter each year confirming their knowledge of and compliance with the Group's policy instruments, including the Code of Conduct. This is supplemented by a process for whistleblowers. Trelleborg's whistleblower policy stipulates that each employee is entitled, without any repercussions, to report suspicions of legal or regulatory violations.	■	■
<b>Supplier risk</b> Risk of suppliers not maintaining the Group's high standards with regard to the environment, working conditions and human rights, thereby jeopardizing Trelleborg's credibility.	The process of investigating and eliminating the use of conflict minerals and prohibited chemicals/material in the value chain involves supplier audits and follow-up of suppliers that, according to their self-assessments, have not met the Group's expectations.	■	■
<b>Credibility</b> Trelleborg's conduct or potential inability to live up to its promises and goals could damage the Group's long-term credibility.	Trelleborg's reputation is a valuable asset and the Group conducts a number of activities to strengthen and boost its credibility, such as training in the Code of Conduct, creating a distinct and well-established brand promise, conducting stakeholder dialogs, ensuring product safety and so forth.	■	■
<b>Human rights</b> If the working conditions at Trelleborg were found to be in violation of international regulations, Trelleborg would be exposed to a risk of legal sanctions and loss of credibility.	Once again, Trelleborg's Code of Conduct is its most important tool in this area. The Code of Conduct is based on international regulations and is followed up through an <i>Acceptance Letters</i> , training and spot checks of selected Trelleborg units.	■	■

## Reporting risks

Reporting risks refer to the risk of incorrect reporting to authorities and the risk of misstatements in the Group's financial reporting to, for example, the stock market.

Risk	Policy/Action	Risk level	
		Probability 1-3	Financial loss 1-3
<b>Reporting risks</b> There is a risk that reporting may not provide an accurate overview of Trelleborg's financial earnings, position and sustainability activities.	Trelleborg's companies report their financial position on a regular basis in accordance with International Financial Reporting Standards (IFRS). Based on these reports, the consolidated financial statements are prepared in accordance with IFRS and any appropriate sections of the Annual Accounts Act, as specified in RFR 1 Supplementary Accounting Rules for Corporate Groups. For more information, refer to Internal control over financial reporting on <i>page 55</i> . Trelleborg reports its sustainability data in accordance with the GRI G3 guidelines. As a means of minimizing risk, Trelleborg provides training to help improve its accounting procedures.	■	■



## Financial risks

Financial risks include interest-rate and currency risks that adversely impact the Group's earnings, financing risks and liquidity risks resulting in difficulties in raising new loans or shareholders' equity and in financial credit risks.

Risk	Policy and comments																																		
<p><b>Financing risks and liquidity risks</b></p> <p>Financing risk is defined as the risk that the refinancing of maturing debt may become difficult or costly to arrange, thereby impairing the Group's ability to fulfill its payment obligations. Liquidity risk refers to the risk of not being able to fulfill payment obligations as they fall due.</p>	<p><b>Policy.</b> Contracted credit facilities with a term of at least 12 months must be available in an amount equivalent to the Group's gross debt plus a liquidity reserve corresponding to at least 5 percent of consolidated net sales. Trelleborg's debt/equity ratio target interval is between 50 and 100 percent.</p> <p>The Group has good access to short-term borrowing in the money markets through a Swedish domestic commercial paper program totaling SEK 4,000 M. The program was regularly utilized throughout 2013 with an average outstanding volume of approximately SEK 2,300 M (1,800).</p> <p>Access to capital markets is facilitated through a Medium Term Note (MTN) program with a program amount of SEK 3,000 M for issuance in the Swedish bond market, as well as through private placements such as Schuldscheins and bilateral and syndicated loans.</p> <p>Following a first transaction under the MTN program which took place in 2011 through the issuance of a bond of EUR 110 M with a six-year term, Trelleborg continued to establish an issuance track record in 2012 by issuing a bond of EUR 50 M with a seven-year term under the MTN program in November 2012. In 2013, Trelleborg issued a EUR 55 M debut Schuldschein with a 5.5 year tenor.</p> <p>Committed confirmed credit facilities at December 31, 2013 totaled SEK 11,211 M (10,918), of which SEK 8,557 M (7,686) was then undrawn. The amount by which the Group's contracted credit facilities exceeded its gross debt in 2013 was in line with the Group's policy. At year-end 2013, the Group's total interest-bearing liabilities amounted to SEK 6,897 M (7,375).</p> <div style="display: flex; justify-content: space-around;"> <div data-bbox="547 815 975 1160"> <p><b>Maturity term structure of the Group's interest-bearing liabilities per December 31, 2013</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>SEK M</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>2,023</td> </tr> <tr> <td>2015</td> <td>560</td> </tr> <tr> <td>2016</td> <td>0</td> </tr> <tr> <td>2017</td> <td>1,000</td> </tr> <tr> <td>2018</td> <td>3,000</td> </tr> <tr> <td>2019</td> <td>500</td> </tr> <tr> <td><b>Total</b></td> <td><b>6,897</b></td> </tr> </tbody> </table> </div> <div data-bbox="1018 815 1460 1160"> <p><b>Maturity term structure of the Group's committed confirmed credit facilities per December 31, 2013</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>SEK M</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>500</td> </tr> <tr> <td>2015</td> <td>0</td> </tr> <tr> <td>2016</td> <td>0</td> </tr> <tr> <td>2017</td> <td>0</td> </tr> <tr> <td>2018</td> <td>10,500</td> </tr> <tr> <td>2019</td> <td>0</td> </tr> <tr> <td>&gt;2019</td> <td>0</td> </tr> <tr> <td><b>Total</b></td> <td><b>11,211</b></td> </tr> </tbody> </table> </div> </div> <p>Short-term liabilities, maturing in 2014, amounted to SEK 2,023 M (2,433) and comprised short-term bilateral bank borrowings of SEK 560 M (895) and commercial paper of SEK 1,463 M (1,538).</p> <p>Long-term liabilities amounted to SEK 4,874 M (4,494) and consisted mainly of drawings under the Group's syndicated loan of SEK 2,565 M (3,140) and outstanding bonds of SEK 2,372 M (1,811). Short-term liabilities were backstopped by the long-term committed confirmed credit facilities.</p> <p>At year-end 2013, the Group's committed confirmed credit facilities principally comprised a syndicated loan, which was raised in 2011. The syndicated loan, in the form of a multicurrency revolving credit with swing-line, consists of two tranches of EUR 750 M (SEK 6,714 M) and USD 625 M (SEK 4,069 M). The loan, the documentation of which was amended and extended in 2013, has a five-year tenor and is scheduled to mature in December 2018. Its tenor may be extended by a maximum of two successive one-year periods to December 2020 via extension options subject to lender consent. The credit facility is provided by a total of 17 leading financial institutions from Europe, Asia and the U.S. Based on the number and standing of these banks, Trelleborg considers the banking syndicate to be strong.</p> <p>The Group monitors the capital structure on the basis of several key figures, one of which is the debt/equity ratio which amounted to 38 percent (38) at year-end. The Group's key figures related to the capital structure and forecasts for the Group's liquidity reserve are regularly followed on a monthly basis.</p>	Year	SEK M	2014	2,023	2015	560	2016	0	2017	1,000	2018	3,000	2019	500	<b>Total</b>	<b>6,897</b>	Year	SEK M	2014	500	2015	0	2016	0	2017	0	2018	10,500	2019	0	>2019	0	<b>Total</b>	<b>11,211</b>
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<p><b>Interest-rate risks</b></p> <p>Since most of Trelleborg's net debt bears variable interest, the Group focuses on managing the cash-flow risk related to interest-rate fluctuations, meaning the risk that movements in market interest rates could have an impact on the financial cash flow and earnings. The scope of the impact depends on the fixed interest term of the borrowing and investment.</p>	<p><b>Policy.</b> The average fixed-interest term on the Group's gross borrowing, including the impact of derivative instruments, may not exceed four years. The average fixed-interest term on interest-bearing investments, including the impact of derivative instruments, may not exceed two years on a maximum amount of SEK 2,000 M, or the equivalent amount in other currencies.</p> <p>At year-end 2013, the Group's net interest-bearing debt amounted SEK 5,637 M (5,360), with an average remaining period of fixed interest of about 25 months (16). Refer to Note 28 for further information.</p>																																		
<p><b>Financial credit risks</b></p> <p>Financial credit risk is defined as the risk of incurring losses if the financial counterparties with which the Group has placed cash and cash equivalents and short-term bank deposits, or with which it has entered into financial instruments with positive market values, default on their commitments.</p>	<p><b>Policy.</b> Counterparties must possess a high creditworthiness and preferably participate in the Group's medium and long-term financing. The Group's Treasury Policy contains a specific counterparty regulation that stipulates the maximum level of credit risk exposure to various counterparties. Refer to Note 28 for further information.</p>																																		



## Financial risks, continued

Risk	Policy and comments																												
<b>Foreign exchange risks</b>																													
Foreign exchange risks relate to the risk of adverse impacts on the consolidated income statement, balance sheet and/or cash flow as a result of exchange rate fluctuations. Foreign exchange risks exist in the form of transaction and translation risks.																													
<p><b>Transaction risks</b></p> <p>Currency flows arising primarily in connection with the acquisition or sale of goods and services in currencies other than the local currency of the relevant Group company give rise to transaction exposure. Trelleborg's global operations generate substantial cash flows in foreign currencies. Group Treasury works actively to match these flows to reduce the Group's foreign exchange risks and transaction costs. At Group level, the bulk of these flows is netted. A portion of the remaining net flows is hedged by Group Treasury based on the business areas' hedging decisions to reduce the impact on earnings. Hedging is mainly conducted using currency forward contracts, supplemented by currency swaps. The current policy was adopted during the year.</p>	<p><b>Policy.</b> As a rule, Group companies may hedge between 50 and 100 percent of their forecasted net flows over a rolling forward period of 12 months. Subsidiary hedges are to be conducted through Group Treasury.</p> <p>The Group's net exposure is estimated at an annual value corresponding to approximately SEK 2,900 M (2,700). The currency pairs with the highest net flows, meaning those expected to exceed the equivalent of SEK 150 M over a period of 12 months from the fourth quarter of 2013, and the amounts hedged per currency pair at December 31, 2013 are shown in the table below. For the stated forward period, the currencies with the greatest budgeted net flows are USD (SEK 800 M equivalent), EUR (SEK 670 M equivalent) and LKR (negative SEK 580 M equivalent).</p> <p>Refer to Note 28 for further information.</p> <p><b>Expected annual exposure per currency pair with the highest 12-month net flow from the fourth quarter of 2013 (SEK M)</b></p> <table border="1"> <thead> <tr> <th>Currency pair</th> <th>Net flow</th> <th>Hedging</th> </tr> </thead> <tbody> <tr> <td>EUR/LKR</td> <td>445</td> <td></td> </tr> <tr> <td>EUR/DKK</td> <td>338</td> <td>-325</td> </tr> <tr> <td>USD/CNY</td> <td>232</td> <td></td> </tr> <tr> <td>EUR/SEK</td> <td>-219</td> <td>25</td> </tr> <tr> <td>EUR/GBP</td> <td>187</td> <td>-80</td> </tr> <tr> <td>USD/SEK</td> <td>185</td> <td>-161</td> </tr> <tr> <td>EUR/CZK</td> <td>161</td> <td></td> </tr> </tbody> </table>	Currency pair	Net flow	Hedging	EUR/LKR	445		EUR/DKK	338	-325	USD/CNY	232		EUR/SEK	-219	25	EUR/GBP	187	-80	USD/SEK	185	-161	EUR/CZK	161					
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<p><b>Translation risks – Income statement</b></p> <p>Exchange rate fluctuations impact the Group's earnings in connection with the translation of foreign subsidiaries' income statements to SEK.</p>	<p><b>Policy.</b> The Group does not normally hedge this risk.</p> <p>Trelleborg's earnings are largely generated outside Sweden. Accordingly, the impact of exchange rate fluctuations on the Group's sales and earnings can be significant. In 2013, operating profit for continuing operations was negatively affected by a total of SEK 106 M (neg: 2) and net profit in a negative amount of approximately SEK 57 M (neg: 9) due to exchange rate fluctuations upon translation of the income statements of foreign subsidiaries, compared with exchange rates in the preceding year.</p> <p>Refer to Note 28 for further information.</p> <p><b>Translation effects: foreign exchange effects on the income statement (SEK M)</b></p> <table border="1"> <thead> <tr> <th>Currency</th> <th>Net sales</th> <th>Operating loss</th> <th>Net loss</th> </tr> </thead> <tbody> <tr> <td>EUR</td> <td>-78</td> <td>-13</td> <td>-8</td> </tr> <tr> <td>GBP</td> <td>-123</td> <td>-19</td> <td>-13</td> </tr> <tr> <td>USD</td> <td>-193</td> <td>-18</td> <td>-8</td> </tr> <tr> <td>Other</td> <td>-316</td> <td>-56</td> <td>-28</td> </tr> <tr> <td><b>Total 2013</b></td> <td><b>-710</b></td> <td><b>-106</b></td> <td><b>-57</b></td> </tr> <tr> <td><b>Total 2012</b></td> <td><b>-7</b></td> <td><b>-2</b></td> <td><b>-9</b></td> </tr> </tbody> </table>	Currency	Net sales	Operating loss	Net loss	EUR	-78	-13	-8	GBP	-123	-19	-13	USD	-193	-18	-8	Other	-316	-56	-28	<b>Total 2013</b>	<b>-710</b>	<b>-106</b>	<b>-57</b>	<b>Total 2012</b>	<b>-7</b>	<b>-2</b>	<b>-9</b>
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<p><b>Translation risks – Balance sheet</b></p> <p>When translating the Group's investments in foreign subsidiaries to SEK, there is a risk that the Group's balance sheet will be impacted by changes in exchange rates.</p>	<p><b>Policy.</b> Investments in foreign subsidiaries and joint venture/associated companies may be hedged in a range of between 0 and 100 percent of the investment's value (which, because of the tax effect, implies a maximum hedge ratio of approximately 78 percent of the investment's value). The decision regarding possible hedging measures is taken following an overall evaluation of foreign exchange rate levels and the effects on costs, liquidity and taxes, as well as the impact on the Group's debt/equity ratio.</p> <p>At year-end 2013, net investments in Trelleborg's foreign operations amounted to SEK 21,940 M (20,253). At year-end 2013, 50 percent (54) of net investments were hedged. Refer to Note 28 for further information.</p>																												

**Trelleborg has a strong starting position.** Trelleborg is currently a world leader in engineered polymer solutions, and has proven its ability over the years to adapt the operation to the prevailing market situation. Trelleborg has an effective corporate governance framework and has therefore successfully managed change in a systematic and structured manner. The company holds leading positions in selected market segments. Trelleborg is also financially robust and has a strong capital structure. Trelleborg's management is experienced and knowledgeable, which are crucial parameters for generating value.

**A vigorous agenda.** This is where Trelleborg stands today. We will continue to build on these positions and create sustainable value through a combination of profitability, growth and cash generation. The focus will shift from divestments to further development of the businesses we currently own. Growth will mainly be achieved organically, although acquisitions will also play a role.

# Chairman of the Board on corporate governance

**Focused Board work.** The Board's work changed in 2013. In addition to auditing issues, the Audit Committee has been given expanded responsibility for risk management, including financial risks, while the Finance Committee is focusing on the scope of financing and larger strategic acquisitions. The Remuneration Committee is devoting more time to matters concerning management succession and leadership development in addition to specific compensation issues. We have a frank and constructive discussion in the committees and on the Board, which also emerged in the external evaluation of the Board that was performed during the year. Trelleborg's management and employees show a high degree of commitment and responsibility in their work at the company. I would like to thank everybody involved for their efforts over the past year.

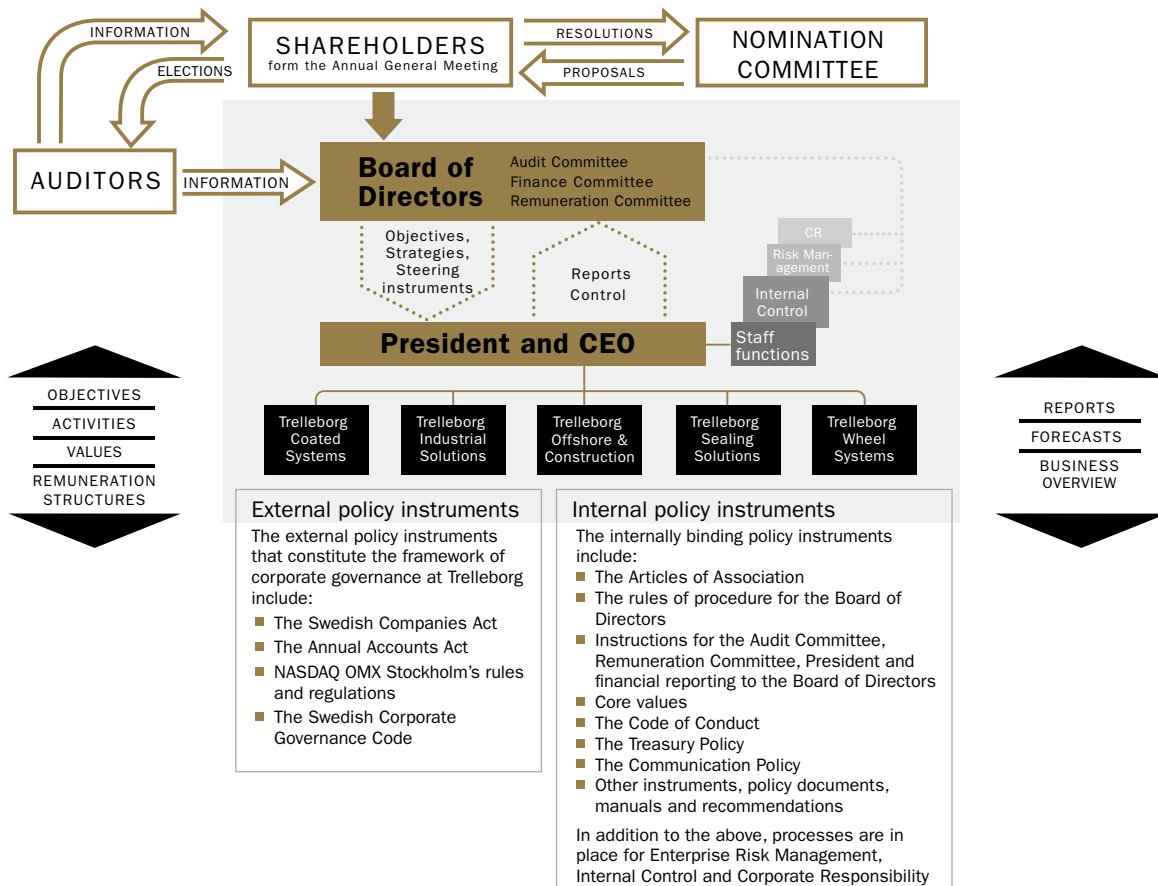
**Corporate governance promotes value generation.** As Trelleborg now enters a new phase, distinguished more by growth than the strategic shifts carried out in recent years, we are convinced that the Group's processes for governance and control will continue to support the business. At the same time, it is important to point out that it is not entirely risk-free to reach leading positions in selected segments. We can minimize these risks by having procedures and preparedness to address the unexpected, and by taking a precautionary approach. Initiatives such as geographic shifts, acquisitions, technology and product development, investments and so forth represent opportunities – and risks – that the Board actively considers in relation to the strong starting position described above.



Sören Mellstig  
Chairman of the Board

# Corporate governance

Trelleborg is a publicly traded Swedish limited liability company listed on NASDAQ OMX Stockholm Large Cap. Trelleborg applies the Swedish Corporate Governance Code and presents its 2013 Corporate Governance report in this section. Trelleborg has no deviations to report. The report has been examined by the company's auditor.



## The basis for corporate governance at Trelleborg.

A key feature of the Trelleborg Group's culture and core values is effective corporate governance with the purpose of supporting the Board of Directors and management in their efforts to increase customer benefits and achieve greater value and transparency for shareholders.

The responsibility for management and control of the Trelleborg Group is distributed between the shareholders, the Board of Directors, its elected committees and the President, as illustrated above.

**Shareholders.** Shareholders exercise their power at the Annual General Meeting, which is Trelleborg's highest decision-making body.

The Meeting adopts the Articles of Association and, at the Annual General Meeting, the shareholders appoint Board members, the Chairman of the

Board and auditor, and makes decisions regarding their fees. In addition, the Annual General Meeting passes resolutions regarding the adoption of the income statement and the balance sheet, the allocation of the company's profit and the discharge from liability of the Board members and the President. The Annual General Meeting also makes resolutions regarding the appointment of the Nomination Committee and its work, and the principles for the remuneration and employment terms for the President and other senior executives. The Annual General Meeting is usually held in April.

**Annual General Meeting 2013.** The 2013 Annual General Meeting took place on April 24, 2013 in Trelleborg. At the meeting, 699 shareholders (720) were in attendance, personally or by proxy, repre-

senting about 71 percent (71) of the total number of votes. A single shareholder, Dunker Funds and Foundations, represented approximately 76 percent (76) of the votes at the meeting. The Chairman of the Board, Anders Narvinger, was elected Chairman of the Meeting. All Board members elected by the Annual General Meeting were present.

**Resolutions.** The complete minutes and information on the 2013 Annual General Meeting, including the President's speech, are available at [www.trelleborg.com/The-Group/Corporate-Governance/Annual-General-Meeting/](http://www.trelleborg.com/The-Group/Corporate-Governance/Annual-General-Meeting/). The resolutions passed by the Meeting included the following:

- Dividends to be paid for the 2012 fiscal year as per the Board's and President's proposal in the amount of SEK 3.00 per share.



- Re-election of Board members: Hans Biörck, Claes Lindqvist, Sören Mellstig, Peter Nilsson, Bo Risberg, Nina Udnes Tronstad and Heléne Vibbleus.
- Election of Sören Mellstig as new Chairman of the Board.
- Election of Jan Carlson as new Board member.
- Election of auditor and approval of remuneration for the Board members and the auditor.
- Principles for remuneration and other employment terms for the President and other senior executives.
- Procedures for the Nomination Committee's appointment and work.

The Annual General Meeting thanked Anders Narvingar for his 14 years of service on the Board, 11 of which as Chairman, following his announcement that he would not be standing for reelection.

**Annual General Meeting 2014.** Trelleborg's 2014 Annual General Meeting will be held on April 23, 2014 in Trelleborg. For information on the Annual General Meeting, refer to page 106.

**Shareholders and the share.** For information on shareholders and the Trelleborg share, refer to pages 4-5 and [www.trelleborg.com/Investors/The-Trelleborg-Share/](http://www.trelleborg.com/Investors/The-Trelleborg-Share/).

**Nomination Committee.** The Nomination Committee represents the company's shareholders and nominates Board members and auditors, and proposes remuneration to be paid to these.

**Nomination Committee for the 2014 Annual General Meeting.** The 2013 Annual General Meeting passed a resolution regarding the Nomination Committee and assigned the Chairman of the Board the task of asking representatives of Trelleborg's five major shareholders at the end of the third quarter to each appoint one member to the Nomination Committee. The composition of the Nomination Committee is presented in the table below. The Nomination Committee also included

Chairman of the Board Sören Mellstig. The guidelines of the principal owners for the selection of candidates to be nominated to the Board specify that they shall possess knowledge and experience relevant to Trelleborg's operations. The Nomination Committee observes the rules regarding the independence of Board members, as stated in the Swedish Corporate Governance Code. The Nomination Committee for 2014 held two meetings (three) and a number of telephone conferences. As a basis for the Committee's work, the Chairman of the Board presented a report on the work of the Board, which included a Board evaluation performed by an external party. Furthermore, the respective Chairs of the Board Committees submitted information on the work of the Committees and the President was interviewed on the performance of the business.

**Nomination Committee for the 2014 Annual General Meeting**

Name/Representing	Share of votes, Sep 30, 2013	Share of votes, Dec 31, 2013
Rolf Kjellman, Henry and Gerda Dunker Foundation	54.0%	54.0%
Henrik Didner, Didner & Gerge Funds	3.5%	2.6%
Peter Rönström, Lannebo Funds	2.1%	2.0%
Åsa Nisell, Swedbank Robur Funds	1.4%	1.4%
Johan Strandberg, SEB Investment Management	1.5%	1.8%
<b>Total</b>	<b>62.5%</b>	<b>61.8%</b>

**Proposals to the 2014 Annual General Meeting.** The Nomination Committee has decided to submit the following proposals to the 2014 Annual General Meeting for resolution:

- Re-election of Board members: Hans Biörck, Jan Carlson, Claes Lindqvist, Peter Nilsson, Bo Risberg, Nina Udnes Tronstad and Heléne Vibbleus, with Sören Mellstig as Chairman.
  - Re-election of PricewaterhouseCoopers AB as the company's auditor for 2014.
- In the Nomination Committee's opinion, the proposed Board composition is suitable to meet the long-term needs of the Trelleborg Group.

**Board of Directors.** The Board of Directors is responsible for the organization and management of Trelleborg's affairs. In accordance with the Articles of Association, the Board of Directors is to consist of three to ten members, without deputies. Board members are elected annually by the Annual General Meeting for the period until close of the next Annual General Meeting.

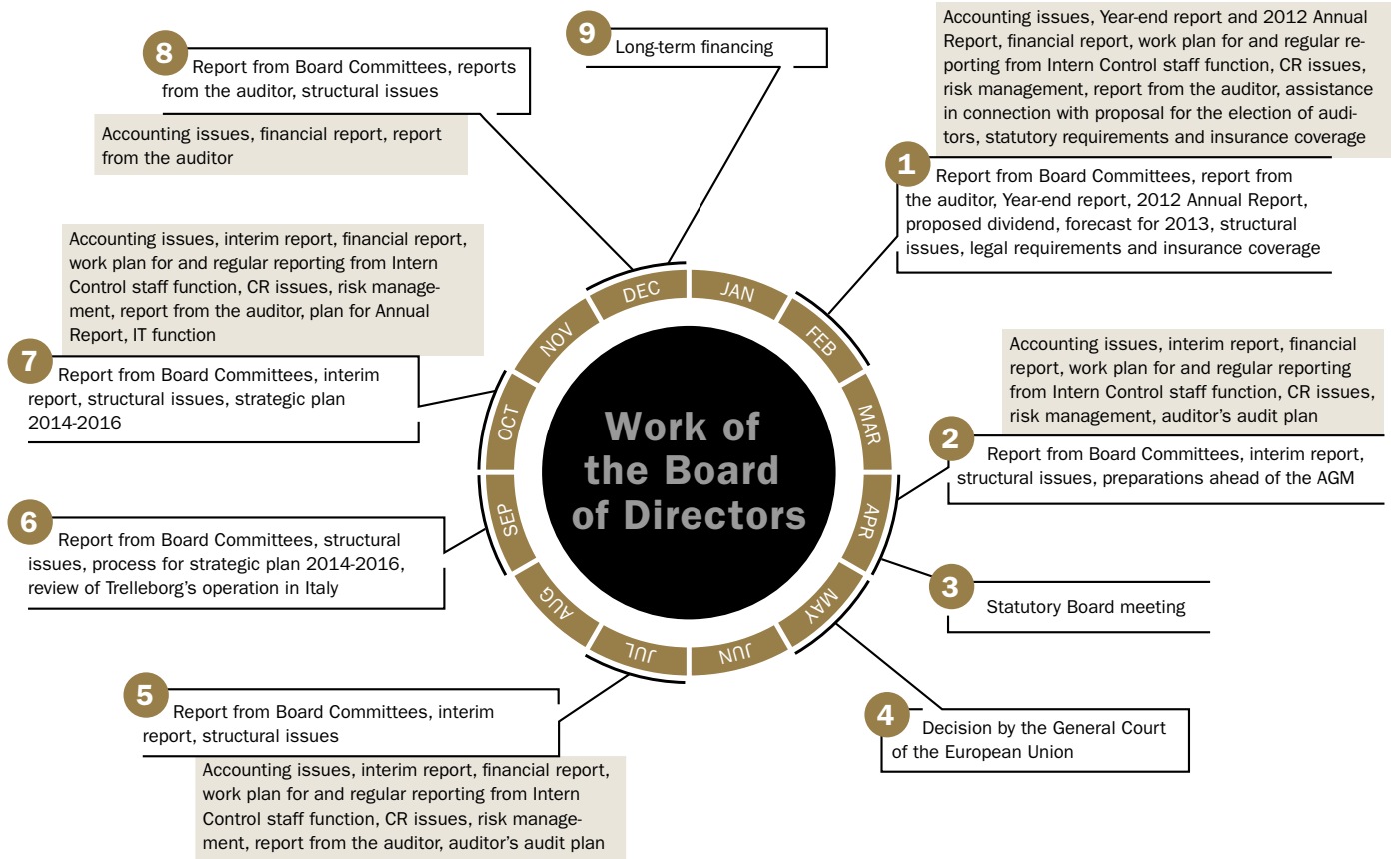
**Composition of the Board of Directors in 2013.** In 2013, Trelleborg's Board of Directors comprised eight members elected by the Annual General Meeting, including the President and CEO. Employees elect three representatives and one deputy to the Board of Directors. The Group's CFO, Ulf Berghult, attends the Board meetings as does the General Counsel, Ulf Gradén, who serves as the Board's secretary. Other salaried employees of the Group participate in the Board meetings to make presentations on specific matters when necessary.

For further information on Board members, refer to pages 58-59 and Note 3 on pages 83-84.

**Chairman of the Board.** The responsibility of the Chairman of the Board is to lead and guide the work of the Board and ensure that the work is well organized and conducted efficiently, and that the Board fulfills its obligations. The Chairman monitors operations in dialog with the President. He is responsible for ensuring that other Board members receive the information and documentation necessary to maintain a high level of quality in discussions and decisions, and for ensuring that the Board's decisions are executed.

**Independence of the Board.** The Board's assessment, which is shared by the Nomination Committee, of the Board members' independence in relation to Trelleborg and the shareholders is presented in the table on pages 58-59. As evident from the table, Trelleborg complies with the Swedish Corporate Governance Code's requirements stipulating that the

**Work of the Board of Directors in 2013:** Nine Board meetings were held in 2013 (eight). Work focused largely on structural issues and the strategic plan.



The President presents a report on the operations' performance at scheduled Board meetings. All business areas are usually given an opportunity to make an in-depth presentation of their operations at a Board meeting at least once per year. The Board conducts reviews with the auditor when audit reports are to be considered.

majority of the Board members elected by the General Meeting must be independent in relation to Trelleborg and company management, and that at least two of these are also to be independent in relation to Trelleborg's major shareholders.

**Evaluation of Board members 2013.** The Chairman of the Board is responsible for evaluating the Board's work. In 2013, the Chairman met individually with all Board members and an external consultant distributed questionnaires to and carried out individual interviews with members. The results were presented and discussed by the Board and Nomination Committee. The evaluation focused on the Board activities in general and on the contributions made by individual Board members, including the Chairman and President.

**Board Committees.** The Board has established three committees from within its ranks without this otherwise impacting the Board's responsibilities and duties. These are the Audit, Finance and Remuneration Committees.

**Audit Committee.** In 2013, the Audit Committee comprised Heléne Vibbleus, who also chairs the Committee, Claes

Lindqvist, Sören Mellstig, who was succeeded by Hans Biörck during the year, and Bo Risberg. The Group's CFO, Ulf Berghult, the Group's General Counsel and Secretary of the Audit Committee, Ulf Gradén, the Head of the Internal Control staff function, the Head of Group Finance and the Head of Group Treasury participate in the Committee meetings, as does the company's auditor, when necessary. During the year, the Committee was given an somewhat changed assignment to representing the Board in matters concerning financing operations, including an increased focus on risk management. In 2013, the Audit Committee held five meetings (five). The matters addressed are presented in the above illustration.

**Finance Committee.** In 2013, the Finance Committee comprised the Chair of the Committee Heléne Vibbleus, who was succeeded by Sören Mellstig during the year, Bo Risberg and Claes Lindqvist, who was succeeded by Hans Biörck during the year. Others who participate in Finance Committee meetings include the Group's CFO Ulf Berghult and the VP Strategic Development & Group Projects and Committee Secretary, who succeeded the

Group's General Counsel Ulf Gradén and the Head of Group Treasury during the year. In 2013, the Finance Committee held four meetings (five). The Committee, which was partially assigned new duties during the year, acts on behalf of the Board, preparing the strategic issues in relation to financing, evaluating the Group's existing and required financing scope and the impact of major acquisitions on the Group's financial situation.

**Remuneration Committee.** In 2013, the Remuneration Committee comprised Anders Narvinger, who was succeeded by Sören Mellstig during the year, who also chairs the Committee, Hans Biörck and Claes Lindqvist, who was succeeded by Jan Carlson during the year. Senior Vice President, Human Resources, Sören Andersson, also Secretary of the Remuneration Committee, participates in Committee meetings. In 2013, the Remuneration Committee held five meetings (eight). It represents the Board in such matters as remuneration and employment conditions for senior executives, management succession and succession planning, and leadership development.



**Auditor.** The Annual General Meeting appoints an auditor that examines the annual report and accounts, the consolidated financial statements, the administration of the Board of Directors and President and the annual report and accounts of subsidiaries, and submits an audit report.

**Auditor 2013.** Trelleborg's auditor is the PricewaterhouseCoopers AB firm of authorized public accountants, including Authorized Public Accountants Mikael Eriksson and Eric Salander. Mikael Eriksson is the Auditor in Charge. The 2013 Annual General Meeting appointed PricewaterhouseCoopers AB as Trelleborg's auditor for a period of one year.

**President and Group Management.**

The President and CEO manages the day-to-day administration of Trelleborg. The President is assisted by Group Management comprising presidents of business areas and managers of corporate staff functions.

**Group Management 2013.** At the end of 2013, Group Management comprised 11 individuals. In 2013, Group Management held five meetings. These meetings focused on the Group's strategic and operational performance and budget follow-up. Trelleborg's operations are organized into five business areas. These consist of about 20 business units, which in turn comprise approximately 40 product areas.

For additional information about Group Management, refer to pages 60-61.

**Internal Control.** The responsibility of the Board of Directors for internal control is regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. Internal control over financial reporting is included as a part of the overall internal control at Trelleborg, and constitutes a central component of Trelleborg's corporate governance.

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: effective and efficient 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 provides structure for the other four components of the process – risk assessment, control structures, information and communication, and monitoring. The starting point for the process is the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Internal control over financial reporting.**

Internal control of the financial reporting aims to provide reasonable assurance of the reliability of external financial reporting in the form of interim reports, annual reports and year-end reports, and to en-

**Auditor's remuneration 2013**

SEK M	2013	2012
<i>PricewaterhouseCoopers</i>		
Audit assignment	22	27
Audit activities other than audit assignment	1	4
Tax consultancy services	5	5
Other services	19	10
<i>Other auditors</i>		
Audit assignment	0	1
Tax consultancy services	0	1
Other services	0	-
<b>Total</b>	<b>47</b>	<b>48</b>



**MIKAEL ERIKSSON**  
**Authorized Public Accountant, Auditor in Charge**

Auditor of the Trelleborg Group since 2011. Partner of PricewaterhouseCoopers AB since 1989. Qualifications: Graduate in business administration, Authorized Public Accountant since 1984. Assignments: Readsoft, Meda, EcoLean and Elverket. Born: 1955



**ERIC SALANDER**  
**Authorized Public Accountant**

Auditor of the Trelleborg Group since 2010. Partner of PricewaterhouseCoopers AB since 2005. Qualifications: Graduate in business administration, Authorized Public Accountant since 2000. Assignments: Sony Mobile Communications, Gambro, Hilding Anders, Getinge and Bong. Born: 1967.





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

**Control environment.** The Board of Directors bears overall responsibility for internal control over financial reporting. The Board has established a written work plan for the Board of Trelleborg that defines the Board's responsibilities and regulates the internal distribution of work between itself and its committees. The Board has established an Audit Committee from within its ranks to represent the Board in matters concerning the monitoring of Trelleborg's financial reporting and, in relation to financial

reporting, to monitor the efficiency of Trelleborg's internal control, internal audit and risk management activities. The Audit Committee is to also 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 auditor's impartiality and independence and providing assistance when preparing proposals regarding the appointment of auditor for approval by the Annual General Meeting. The Audit Committee is also to represent the Board by monitoring the Group's work in relation to CR and ERM issues and day-to-day financing operations and annually reviews and makes proposals for changes to the

Treasury Policy. The Board has also established instructions for the President of Trelleborg and instructions for financial reporting to the Board of Trelleborg. The responsibility for maintaining an effective control environment and the day-to-day work involving internal control is delegated to the President.

The Group's Internal Control staff function serves as the Group's internal audit function and reports to the Audit Committee and the Group's CFO. The function focuses on developing, enhancing and securing internal control over the Group's financial reporting by proactively concentrating on the internal control environment and by examining the effectiveness of internal control.

**Internal control structure of the Trelleborg Group**

	Company 1	Company 2	Business area 1	Business area 2	Purchasing	Treasury	Etc.
	Self-assessment		Internal audits		Training/Tools		
<b>Financial reports and reporting processes</b>	<ul style="list-style-type: none"> <li>Group-wide reporting system with quarterly feedback from subsidiaries</li> <li>Companies respond to how they comply with the Group's minimum requirements for good internal control in selected processes</li> </ul>		<ul style="list-style-type: none"> <li>Internal audits are conducted by the Internal Control staff function in cooperation with internal resources from other staff functions and external consultants</li> </ul>		<ul style="list-style-type: none"> <li>Training programs in defined processes relating to minimum requirements for good internal control are carried out when necessary</li> </ul>		
<b>Purchasing process</b>	<ul style="list-style-type: none"> <li>Deficiencies are identified, measures are planned and implemented by the companies</li> </ul>		<ul style="list-style-type: none"> <li>Internal audits of IT security are carried out by the head of Group IT together with external consultants</li> </ul>		<ul style="list-style-type: none"> <li>The purpose of the training programs is to raise awareness and understanding of efficient processes and good internal control</li> </ul>		
<b>Inventory process</b>	<ul style="list-style-type: none"> <li>Encompasses approximately 110 subsidiaries, of which the largest approximately 45 companies must apply both A and B levels in terms of minimum levels for good internal control and the approximately 65 smaller companies will only apply the A level</li> </ul>		<ul style="list-style-type: none"> <li>Comprises seven selected processes and about 280 minimum requirements for good internal control</li> </ul>		<ul style="list-style-type: none"> <li>Training programs are a forum for the exchange of experience and sharing best practice</li> </ul>		
<b>Sales process</b>			<ul style="list-style-type: none"> <li>Internal audits result in observations, recommendations and proposals for decisions and measures</li> </ul>		<ul style="list-style-type: none"> <li>Training programs in defined processes related to minimum requirements for good internal control are also held as an integrated part of the internal audits</li> </ul>		
<b>Process for property, plant and equipment</b>	<ul style="list-style-type: none"> <li>Covers seven selected processes and about 280 minimum requirements for good internal control</li> </ul>		<ul style="list-style-type: none"> <li>Identified deficiencies are followed up on a quarterly basis by business area controllers and the Internal Control staff function</li> </ul>		<ul style="list-style-type: none"> <li>A section on the intranet section is available to provide employees access to standardized tools and documents, as well as examples of business solutions</li> </ul>		
<b>IT security process</b>	<ul style="list-style-type: none"> <li>All relevant employees annually confirm in writing their knowledge of, and compliance with, the Group's internal policy instruments</li> </ul>						
<b>Salary management process, incl. pensions and other compensation</b>							



Internal policy instruments for financial reporting primarily comprise the Treasury Policy, Communication Policy, Finance Manual (defining the accounting and reporting rules), and the Group's definition of processes and minimum requirements for good internal control over financial reporting.

**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.

Risk assessment in relation to other areas is carried out within the framework of the Enterprise Risk Management process, which is described on pages 44-45.

**Control structures.** The most significant risks identified in terms of 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 control structures aim to ensure efficiency in the Group's processes and good internal control and are based on the Group's approximately 280 minimum requirements for good internal control in the seven defined, significant processes that are shown in the diagram on page 55. The minimum requirements encompass about 110 subsidiaries of which the largest approximately 45 companies must apply both A and B levels in respect of minimum requirements for good internal

control and the approximately 65 smaller companies only the A level. The control structures in the accounting and reporting process, which are significant for ensuring the reliability of financial reporting, contain 50 of the approximately 280 minimum requirements for good internal control.

**Information and Communication.** Information and communication regarding internal policy instruments for financial reporting are available to all relevant employees on Trelleborg's intranet. Information and communication relating to financial reporting is also provided through training. The Group has a process in which all relevant employees confirm awareness of and compliance with the Group's internal policy instruments. 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 policy instruments. The process for the Group's whistleblower policy has been gradually improved.

**Monitoring.** Monitoring 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, Group Treasury and the Group's companies and business areas. Monitoring includes the follow-up of monthly financial reports in relation to budget and targets, quarterly reports with results from self-assessments in the Group's companies and business areas, and results from internal audits. Monitoring also encompasses

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 2013.** In 2013, the Internal Control staff function conducted 37 internal audits (26) in 16 countries (12), of which 13 were IT security audits (12). Emphasis was on Europe, China and the U.S. Most of the internal audits were conducted by the Internal Control staff function in cooperation with internal resources from other staff functions with specialist competence in such areas as purchasing and finance, or jointly with controllers from various business areas. Internal audits of IT security were carried out by the head of the IT Group staff function together with external consultants. In 2013, the Internal Control staff function worked on a broad front with reviews of all processes. A particular focus area for 2013 was the management of project accounting.

**Focus in 2014.** In 2014, the Internal Control staff function will continue to work broadly with the review of all processes and follow up of implementation of new ERP systems. Geographically, the Internal Control staff function will place greater emphasis on growth markets, although about half of the internal audits will take place in Europe.

**CR organization and reporting.** The annual CR reporting complies with the Global Reporting Initiative (GRI) guidelines.

**Trelleborg's CR organisation and reporting.** Principles for the company's CR reporting are described in detail at [www.trelleborg.com/cr](http://www.trelleborg.com/cr). Both there, and in

# Code of Conduct the basis for CR

Trelleborg's Code of Conduct in the areas of the environment, health and safety and ethics applies to all employees, without exception. The Code of Conduct is based on internationally recognized conventions and guidelines, such as UN Human Rights conventions, ILO conventions, OECD guidelines and the UN Global Compact. Trelleborg's whistleblower policy implies that each employee is entitled, without repercussions, to report suspicions of legal or regulatory violations. The process for

submitting whistleblower messages has gradually been improved to strengthen employees' integrity and safety, and enable use of their own languages, by telephone or online. The Code of Conduct provides a basis for the internal CR process, and training in the Code of Conduct is mandatory for all employees. The CR process is largely based on self-assessment and internal audits, such as *Safety@Work*, strengthened by external audits in selected areas, such as ISO 14001 audits in the environ-

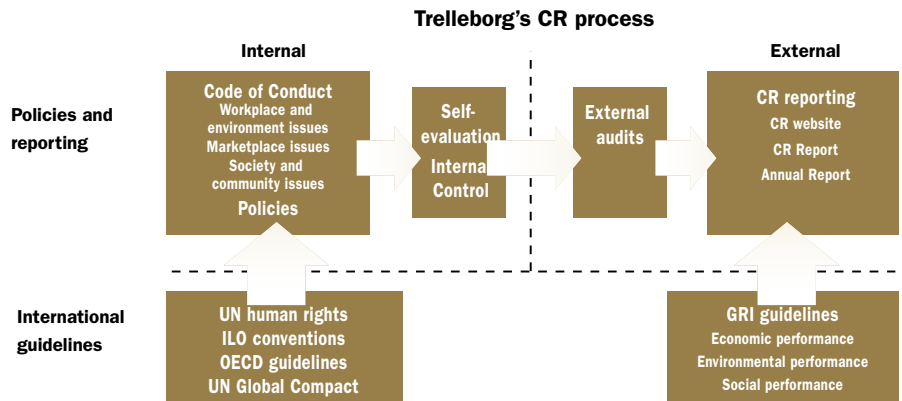
tal sphere. In 2013, one audit of compliance with the Code of Conduct was carried out at two units in Brazil.



the annual report to the UN Global Compact, there is a complete index showing exactly how CR reporting complies with GRI guidelines. At Board level, the Audit Committee has been assigned to monitor the Group's work with CR issues.

CR reporting is managed by a group comprising representatives from the Group Corporate Communications, Legal Department, Environment, HR and Purchasing staff functions, and from the *Manufacturing Excellence Program*, with the Corporate Communications staff function acting as the coordinator. Direct responsibility for issues relating to the environment, and health and safety rests locally with each business unit. Each production plant has an environmental coordinator and a health and safety officer. The central Group function, Environment, a part of the Group Legal Department, is responsible for governance and coordination in environmental issues.

Trelleborg, February 13, 2014  
The Board of Directors of Trelleborg



## Further information on corporate governance

The following information is available at [www.trelleborg.com](http://www.trelleborg.com):

- Corporate Governance Reports from 2004 and onward.
- Information regarding Trelleborg's Annual General Meetings from 2004 and onward:
  - Notifications
  - Minutes
  - President's speeches
  - Press releases



## The Board of Directors



Name	Sören Mellstig	Hans Biörck	Jan Carlson	Claes Lindqvist	Peter Nilsson	Bo Risberg
Position		Advisor to Skanska AB	President of Autoliv Inc.	President of Henry Dunkers Förvaltnings AB	President and CEO	President and CEO of Hilti Corporation, Liechtenstein
Qualifications	Graduate in business administration	Graduate in business administration	M.Sc. Eng.	Graduate in business administration and M.Sc. Eng.	M.Sc. Eng.	MBA and B.Sc. Eng.
Year elected	2008	2009	2013	2004	2006	2010
Born	1951	1951	1960	1950	1966	1956
Nationality	Swedish	Swedish	Swedish	Swedish	Swedish	Swedish
Other assignments	Chairman of Apotek Hjärtat, Textilia and Ferrosan MD A/S. Board member of Merivaara Oy	Chairman of Crescit Asset Management AB, Board member of the Dunker Funds and Foundations, LKAB and Bure Equity AB	Board member of BorgWarner Inc. and The Association of Swedish Engineering Industries	Executive Director of Henry and Gerda Dunkers' Foundation and Foundation No. 2. Board member of Dunker Foundations, Svenska Handelsbanken South Region, Novotek AB (publ), among others	Board member of Beijer Alma AB (publ), Trioplast Industrier AB, The Chamber of Commerce and Industry of Southern Sweden and The Association of Swedish Engineering Industries	Deputy Chairman of Grundfors Holding A/S. Board member of Poul due Jensen Foundation and member of the IMD Supervisory Board
Dependence	No	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, the Dunker Interests	No	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, the Dunker Interests	Yes. Dependent in relation to the company as a result of his position as Trelleborg's President	No
Previous experience	President and CEO of Gambro and CFO and Vice President of Incentive	CFO of Skanska AB, Autoliv Inc. and Esselte AB	President of Saab Combitech	A variety of senior positions at ASEA and Åkerlund & Rausing as well as President and CEO of Högånäs AB and Öresundskraft AB	Business Area President at Trelleborg and posts within the Trelleborg Group, as well as management consultant at BSI	Various management positions at AT Kearney and with ABB in Sweden and Canada
Own and related-party holdings 2013	115,809 shares	5,000 shares	–	30,404 shares	90,572 shares	9,011 shares
Own and related-party holdings 2012	115,809 shares	5,000 shares	–	30,404 shares	90,572 shares	9,011 shares
Shares in related companies	–	–	–	–	–	–
Audit Committee attendance	Member 2 of 5 <sup>2)</sup>	Member 3 of 5 <sup>2)</sup>	–	Member 5 of 5	–	Member 5 of 5
Finance Committee attendance	Member/Chairman <sup>3)</sup> 4 of 4	Member 2 of 4 <sup>4)</sup>	–	Member 2 of 4 <sup>4)</sup>	–	Member 4 of 4
Remuneration Committee attendance	Chairman 2 of 5 <sup>5)</sup>	Member 5 of 5	Member 2 of 5 <sup>5)</sup>	Member 3 of 5 <sup>5)</sup>	–	–
Board meeting attendance	Member/Chairman <sup>6)</sup> 9 of 9	Member 9 of 9	Member 6 of 9 <sup>7)</sup>	Member 9 of 9	Member 9 of 9	Member 8 of 9 <sup>8)</sup>
<b>Remuneration 2013 <sup>1)</sup></b>						
Board, SEK 000s	1,100	420	420	420	–	420
Committee, SEK 000s	150	150	–	150	–	100
<b>Total 2013, SEK 000s</b>	<b>1,250</b>	<b>570</b>	<b>420</b>	<b>570</b>	<b>–</b>	<b>520</b>
<b>Remuneration 2012 <sup>1)</sup></b>						
Board, SEK 000s	400	400	–	400	–	400
Committee, SEK 000s	100	50	–	150	–	100
<b>Total 2012, SEK 000s</b>	<b>500</b>	<b>450</b>	<b>–</b>	<b>550</b>	<b>–</b>	<b>500</b>

1) Remuneration paid to the Board of Directors for the period May 2013 – April 2014. The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For the 2013 calendar year, remuneration was paid as per Note 3. Remuneration is not paid to members of the Finance Committee. No consulting fees were paid to Board members. Remuneration is not paid to executive Board members. Remuneration excludes travel allowances.

2) Hans Biörck succeeded Sören Mellstig as a member of the Audit Committee as of meeting number three.

3) Sören Mellstig succeeded Heléne Vibbles, who stepped down as Chairman of the Finance Committee as of meeting number three.

4) Hans Biörck succeeded Claes Lindqvist in the Finance Committee as of meeting number three.

5) Sören Mellstig succeeded Anders Narvinger and Jan Carlson succeeded Claes Lindqvist in the Remuneration Committee as of meeting number four.

6) Sören Mellstig succeeded Anders Narvinger as Chairman of the Board as of meeting number three.

7) Jan Carlson was elected to the Board as of meeting number three. Not present at meeting number three.

8) Not present at meeting number four.



Name	Nina Udnes Tronstad	Heléne Vibbleus	Peter Larsson	Karin Linsjö <sup>10)</sup>	Mikael Nilsson	Birgitta Håkansson
<b>Position</b>	Senior Vice President Procurement Kvæner ASA	Management Consultant	Appointed by the Unions of the Trelleborg Group (PTK)	Appointed by the Unions of the Trelleborg Group (LO)	Industrial worker, appoint- ed by the Unions of the Trelleborg Group (LO)	Salaried employee, appointed by the Unions of the Trelleborg Group (PTK)
<b>Qualifications</b>	M.Sc. Eng.	Graduate in business ad- ministration	Engineer	Elementary school and plant training	Training in labor law, economics and personnel policy	Secretarial studies, training in IT and accounting
<b>Year elected</b>	2010	2004	2011	2000	2009	2008
<b>Born</b>	1959	1958	1965	1954	1967	1950
<b>Nationality</b>	Norwegian	Swedish	Swedish	Swedish	Swedish	Swedish
<b>Other assignments</b>	Board member of Norwegian University of Science and Technology (NTNU)	Board member of Nordic Growth Market NGM AB, Orio AB and Tyréns AB. Board member and Deputy Chairman of Sida	Chairman of Unionen Trelleborg AB		Chairman of Trelleborg Swedish Works Council (LO) and Chairman of Trelleborg European Works Council. Board member of Avdelning 52 Hus AB	Vice Chairman of Unionen Trelleborg AB
<b>Dependence</b>	No	No	-	-	-	-
<b>Previous experience</b>	Group Executive of Kvæner ASA, President of Kvæner Verdal AS, Group Executive of Statoil ASA and various management positions at Statoil in Norway, Sweden and Denmark	Senior Vice President, Group Controller, AB Electrolux, Authorized Public Accountant, partner and member of the Board of PricewaterhouseCoopers in Sweden				
<b>Own and related- party holdings 2013</b>	-	4,550 shares	2,300 shares	501 shares	-	6,102 shares
<b>Own and related- party holdings 2012</b>	-	4,550 shares	2,300 shares	501 shares	-	6,102 shares
<b>Shares in related companies</b>	-	-	-	-	-	-
<b>Audit Committee attendance</b>	-	Chairman 5 of 5	-	-	-	-
<b>Finance Committee attendance</b>	-	Chairman 2 of 4 <sup>3)</sup>	-	-	-	-
<b>Remuneration Com- mittee attendance</b>	-	-	-	-	-	-
<b>Board meeting attendance</b>	Member 9 of 9	Member 9 of 9	Employee representative (PTK), 8 of 9 <sup>9)</sup>	Employee representative (LO), 8 of 9 <sup>10)</sup>	Employee representative (LO), 9 of 9	Deputy employee repre- sentative (PTK), 9 of 9
<b>Remuneration 2013 <sup>1)</sup></b>						
Board, SEK 000s	420	420	-	-	-	-
Committee, SEK 000s	-	150	-	-	-	-
<b>Total 2013, SEK 000s</b>	<b>420</b>	<b>570</b>	-	-	-	-
<b>Remuneration 2012 <sup>1)</sup></b>						
Board, SEK 000s	400	400	-	-	-	-
Committee, SEK 000s	-	150	-	-	-	-
<b>Total 2012, SEK 000s</b>	<b>400</b>	<b>550</b>	-	-	-	-

1) Remuneration paid to the Board of Directors for the period May 2013 – April 2014. The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For 2013 calendar year, remuneration was paid as per Note 3. Remuneration is not paid to members of the Finance Committee. No consulting fees were paid to Board members. Remuneration is not paid to executive Board members. Remuneration excludes travel allowances.

3) Sören Mellstig succeeded Heléne Vibbleus, who stepped down as Chairman of the Finance Committee as of meeting number three.

9) Not present at meeting number eight.

10) Karin Linsjö stepped down from her position on the Board in December and did not attend meeting number nine. She was replaced in February 2014 by Göran Andersson, refer to [www.trelleborg.com/The-Group/Corporate-Governance/Board-of-Directors-and-Auditors/](http://www.trelleborg.com/The-Group/Corporate-Governance/Board-of-Directors-and-Auditors/) for more information.

## Group Management



Name	Peter Nilsson	Ulf Berghult	Dario Porta	Mikael Fryklund	Fredrik Meuller	Claus Barsøe
<b>Position</b>	President and CEO Other assignments: Board member of Trelleborg AB (publ), Beijer Alma AB (publ), Trioplast Industrier AB, The Chamber of Commerce and Industry of Southern Sweden and The Association of Swedish Engineering Industries	Chief Financial Officer (CFO)	Business Area President, Trelleborg Coated Systems	Business Area President, Trelleborg Industrial Solutions	Business Area President, Trelleborg Offshore & Construction	Business Area President, Trelleborg Sealing Solutions
<b>Qualifications</b>	M.Sc. Eng.	Graduate in business administration	M.Sc. Eng.	M.Sc. Eng., B.Sc.	M.Sc. in Finance	Graduate in business administration
<b>Born</b>	1966	1962	1959	1963	1970	1949
<b>Nationality</b>	Swedish	Swedish	Italian	Swedish	Swedish	Danish
<b>Previous experience includes</b>	Business Area President at Trelleborg and positions within the Trelleborg Group, as well as management consultant at BSI	CFO of Dometic Group, Thule Group, Rolls Royce Marine Systems and controller at Trelleborg	Business Unit President at the Trelleborg Group and President of Reeves	Business Unit President at Trelleborg and other management positions at the Trelleborg Group and Bosch	VP Strategic Development & Group Projects Trelleborg and Business Unit President at the Trelleborg Group. Various positions at McKinsey & Co. and JP Morgan	Market Director of Alfa Laval, various positions at Busak+Shamban and Polymer Sealing Solutions
<b>Own and related-party holdings 2013</b>	90,572 shares	15,000 shares	-	7,000 shares	-	-
<b>Own and related-party holdings 2012</b>	90,572 shares	15,000 shares	-	7,000 shares	-	-
<b>Shares in related companies</b>	-	-	-	-	-	-
<b>Employed</b>	1995	2012	2006	2002	2002	2003
<b>In current position since</b>	2005	2012	2012	2012	2012	2003

## Remuneration of Group Management

SEK 000s		① Annual variable salary	② Long-term program <sup>1)</sup>	③ Other benefits	Total	④ Pension	Total including pension	
President	<b>2013</b>	9,177 <sup>2)</sup>	5,655	4,390	158	19,380	3,538	22,918
	2012	8,713	5,408	3,907	170	18,198	3,384	21,582
Group Management, others (10 persons) <sup>3)</sup>	<b>2013</b>	30,172	13,301	11,040	1,310	55,823	13,070	68,893
	2012	31,863	12,923	9,362	974	55,122	10,681	65,803
<b>Total</b>	<b>2013</b>	<b>39,349</b>	<b>18,956</b>	<b>15,430</b>	<b>1,468</b>	<b>75,203</b>	<b>16,608</b>	<b>91,811</b>
Total	2012	40,576	18,331	13,269	1,114	73,320	14,065	87,385

<sup>1)</sup> Expensed 2013. <sup>2)</sup> Of this amount, fixed salary represented SEK 8,700,000 with the remainder mainly consisting of a change in vacation pay liability.

## Principles for remuneration

The following are the principles for remuneration of senior executives adopted by the Annual General Meeting:

- Trelleborg will offer market-based terms of employment that enable the company to recruit, develop and retain senior executives.
- The remuneration structure will comprise fixed and variable salary, pension and other remuneration, which together form the individual's total remuneration package.
- Trelleborg continuously gathers and evaluates information on market-based remuneration levels for relevant industries and markets.
- Principles for remuneration may vary depending on local conditions.

- The remuneration structure will be based on such factors as position, expertise, experience and performance.

Senior executives comprise the President and other members of Group Management. The principles are supplemented by a policy for benefits for senior executives as well as a global Remuneration Policy covering all managers and senior salaried employees. In 2013, total remuneration of Group Management amounted to SEK 75,203,000 (73,320,000), excluding pension premiums, and SEK 91,811,000 (87,385,000), including pension premiums.

### ① Annual variable salary

The annual variable salary is based on the achievement of predefined targets for a number of performance indicators. The 2013 targets pertained to the Group's profit before tax and the Group's operating cash flow, both excluding the effect of structural changes, as approved by the Board of Directors, and excluding the profit effect from TrelleborgVibracoustic. In addition, a minor portion of the annual variable salary of the President and a few senior executives was based on the operating profit in TrelleborgVibracoustic. For the business areas, other operating key figures also served as targets for annual variable salary. Annual variable salary does not constitute pensionable income and does not form the basis of vacation pay. In 2013, the President's variable salary was a maximum of 65 percent of fixed salary. For



Name	Maurizio Vischi	Sören Andersson	Claes Jörwall	Ulf Gradén	Patrik Romberg
<b>Position</b>	Business Area President, Trelleborg Wheel Systems	Senior Vice President, Human Resources	Senior Vice President, Mergers & Acquisitions	Senior Vice President, General Counsel and Secretary	Senior Vice President, Corporate Communications
<b>Qualifications</b>	MBA	University studies in economics, sociology and education	Graduate in business administration	Master of Law, Reporting Clerk, Court of Appeal	MBA and university studies in behavioral science and education
<b>Born</b>	1955	1956	1953	1954	1966
<b>Nationality</b>	Italian	Swedish	Swedish	Swedish	Swedish
<b>Previous experience includes</b>	Various management positions at Pirelli	Various HR posts at SCA	Senior Vice President, Taxes and Group Structures at Trelleborg, department manager at the Swedish National Tax Board	Corporate Legal Counsel at Mölnlycke and General Counsel at PLM/Rexam	Various positions at the Trelleborg Group and Unilever
<b>Own and related-party holdings 2013</b>	–	6,080 shares	10,231 shares	–	901 shares
<b>Own and related-party holdings 2012</b>	–	6,080 shares	16,031 shares	–	901 shares
<b>Shares in related companies</b>	–	–	–	–	–
<b>Employed</b>	1999	1998	1988	2001	2006
<b>In current position since</b>	2001	1998	1988	2001	2011

other senior executives, variable salary was a maximum of 30-60 percent of fixed salary in 2013.

## 2 Long-term incentive program

Since 2005, the Board of Directors has annually resolved to introduce a long-term incentive program for the President and for certain senior executives considered to exercise a significant influence on the Trelleborg Group's earnings per share. These programs are ongoing, three-year programs. The Board determines annually whether to instigate new programs and, if so, the scope, objective and participants of such new programs. The incentive programs are cash-based and constitute a supplement to the annual variable salaries, provided that the executive has not terminated his employment at the Trelleborg Group as per December 31 in the year in which the program ends.

### Purpose

The incentive programs are directional and have long-term content. The aim is to continue to promote and retain the commitment of senior executives to the Group's development, thereby increasing value for the Group's shareholders.

### Target figures

The target value for the incentive programs is the Trelleborg Group's earnings per share, with an annual improvement of 10 percent. The target figure for the Trelleborg Group's earnings per share excludes items affecting comparability attributable to the Trelleborg Group and TrelleborgVibracoustic and the impact of any share buyback programs. According to the above definition, the earnings per share in 2013 totaled SEK 7.56. For the current programs, the

Board has established a target of SEK 5.20 in earnings per share for 2011, a target of SEK 6.02 for 2012 and a target of SEK 6.08 for 2013, with the upper cap for payments for all programs set at 25 percent of the maximum annual salary per program per year. In 2014, the target figure will use the total for 2013 as a base, that is, SEK 7.56 in earnings per share.

### Outcome and payment

The result is calculated annually and accumulated over the three-year period and potential payments are made in the first quarter of the year after the program expires. For the program approved for 2010, payment was made in the first quarter of 2013, for the program approved for 2011, payment will be made in the first quarter of 2014, for the program approved for 2012, payment will be made in the first quarter of 2015 and for the program approved for 2013, payment will be made in the first quarter of 2016. The payments do not constitute pensionable income and do not form the basis of calculation of vacation pay. In 2013, earnings were charged with SEK 27,012,000 (24,022,000) and additional payroll expenses of SEK 6,370,000 (5,823,000).

### Other incentive programs

The Group has no ongoing convertible debenture or warrant programs at the present time.

## 3 Other benefits

The President and other senior executives have the possibility of having, primarily, a company car and medical expenses insurance.

## 4 Pension

The pension agreement is a defined-contribution scheme. For the President and other senior executives, the premium can vary between 20 and 45 percent of the fixed salary, where this is legally possible. For the President, the premium is computed as 40 percent of the fixed salary. Pensionable age for the President is 65; however, both the company and the President have the right, without special motivation, to request early retirement from the age of 60, with a mutual six-month notice of termination. If the President enters early retirement, the employment agreement and pension agreement are rendered invalid as of that time. Some of the senior executives have agreements specifying mutual rights to request early retirement from the age of 60. In this case, compensation amounting to 60 percent of fixed annual salary is paid until the age of 65, after which the regular retirement pension payments become effective.

### Severance pay

For the President, termination of employment by the company shall be subject to a period of notice of 24 months. The period of notice from the President is six months. During the period of notice, fixed salary is payable. Certain senior executives have extended notice of termination periods when initiated by the company, normally 12, 18 or 24 months, whereas the notice period is six months when initiated by the senior executive.

**For additional information concerning remuneration, see Note 3, pages 83-84.**

**Long-term value for all stakeholders.** No business should underestimate the importance of adopting a long-term perspective. At Trelleborg, this means ensuring that the company's performance and activities are deemed acceptable not only by its customers, shareholders and employees, but also by society in general.

Companies that are able to contribute to social development will be the ultimate survivors. Trelleborg is such a company: through our business concept – to seal, damp and protect critical applications – we help our customers and society to protect people, the environment and infrastructure.

In other words, we create shared value by offering solutions that simultaneously improve function, business and sustainability. However, we must also balance this with a healthy dose of realism. For example, while we are well aware that the off-shore oil & gas sector is based on the extraction of non-renewable resources, it is also clear that Trelleborg and its solutions provide vital safety and protection of infrastructure and thus the environment. As long as the world needs oil and gas resources to complement its sources of renewable energy, Trelleborg's solutions for this sector will remain pivotal and in demand. You can read more about the macro-trends that influence Trelleborg in this report on pages 26-33.

# Corporate Responsibility

Like most industrial companies, we have prioritized the impact that our production operations have on our work environment and the environment for many years now. However, we know that our operations also have an effect upstream (suppliers) and downstream (customers). We must focus not only on reducing our risks and impact, but also on finding positive ways to encourage our suppliers, customers and society to become more sustainable. We will continue to tackle this work in the future. Allow me to summarize the past year:

**On the plus side:** Solvents have historically represented a challenge, particularly in the production of printing blankets, so I am thrilled to announce that we now have a new solventless roller head line in Lodi Vecchio, Italy. Furthermore, the U.S. legislation pertaining to conflict minerals has resulted in new internal procedures for customer communication.

**On the negative side:** As we add new units, it is only natural that they are not as efficient as the others from the outset. Consequently, acquisitions may result in negative changes in, for example, energy consumption and climate impact compared with earlier years; an effect that can also be observed in 2013. While this is to be expected when acquisitions are made, our determined focus on *Energy Excellence* in all production units will ultimately help counterbalance any temporary discrepancies.

I firmly believe that a comprehensive approach to corporate responsibility in both the short and long term and throughout our supply chain is a necessary prerequisite for generating long-term value. In this year's report, we provide an even clearer description of how our approach to corporate responsibility helps ensure that our current and potential shareholders, the general public and other stakeholders remain satisfied with the value created within Trelleborg.



Peter Nilsson, President and CEO



## Trelleborg and the Global Compact

Since 2007, Trelleborg has been affiliated with the UN Global Compact network, an initiative that promotes responsible corporate practices in the areas of the environment, labor, human rights and anti-corruption.



## GRI introduces new guidelines

A new version of the Global Reporting Initiative guidelines for sustainability reporting was introduced in 2013. The new guidelines, known as GRI G4, are to be applied to reports starting in 2015. Trelleborg is preparing to apply GRI G4 starting in the 2014 reporting year. One of the main features of the new guidelines involves a materiality analysis of sustainability aspects, which is described on page 63.

## External audit

PricewaterhouseCoopers conducted a review of the entire report on Trelleborg's Corporate Responsibility activities in 2013, with a focus on the most significant CR issues. See the assurance report on page 105 or visit [www.trelleborg.com/cr](http://www.trelleborg.com/cr).

Trelleborg reports in accordance with GRI G3 Level B+ and PricewaterhouseCoopers has reviewed and verified the application level. Complete information and the GRI index can be viewed at [www.trelleborg.com/cr](http://www.trelleborg.com/cr).



# An active dialog with stakeholders

**Stakeholders.** The most important stakeholder groups for Trelleborg are: *Customers, Suppliers and Partners, Shareholders and Investors, Employees and Society* (for instance, the media, students and researchers). Representatives of these groups can regularly specify the sustainability aspects they consider most important for Trelleborg in a *materiality analysis*. Such assessments were conducted in 2007, 2009 and 2012.

In February 2014, this analysis was supplemented with a corresponding assessment of the sustainability initiatives carried out by Trelleborg's management, with a focus on the company's strategy and future plans. Together, these analyses will provide a foundation for assessing the content of future Corporate Responsibility reporting in accordance with the new guidelines stipulated in GRI G4.

**Channels for stakeholder dialog.** A key form of communication for all of Trelleborg's stakeholders is the company's online presence, which it maintains through its website [www.trelleborg.com](http://www.trelleborg.com) – and its 110 associated websites in different languages – its digital showroom *World of Trelleborg* (launched in 2013), its interactions via social media such as Facebook and YouTube, and the blogs/forums *Marine Insights* and *Printing Insights*.

**Customers:** Face-to-face and digital meetings between Trelleborg's representatives and customers. The Group's customer and stakeholder magazine *T-Time*.

**Suppliers and Partners:** In-person supplier visits and meetings, as well as supplier audits through dialogs and surveys.

**Shareholders and Investors:** Shareholder service (telephone and e-mail channels), Annual General Meetings, share analyst meetings, meetings with share investors, and special meetings for ethical investors.

**Employees:** Internal communication channels, such as *T-Talk* (intranet for internal knowledge exchange), *E-Connect* (digital newsletter) and *Connect* (internal magazine), internal training, trade union cooperation and events.

**Society:** Local *Open House Days*, family and sponsorship activities, media conferences, press contacts, and collaboration with universities and colleges. Dialog with local public authorities and regulatory authorities about specific issues. Trelleborg also works through trade organizations at national and European levels. Sharing of best practice in the area of sustainability with representatives of other businesses, as well as through Swedish and international networks, takes place on a continuous basis.

## Examples of stakeholder meetings in 2013

- May and October 2013: Meetings with the Global Compact Nordic Network in Copenhagen and Helsinki. Discussions with Global Compact Executive Director Georg Kell about the growth, financing and future of the Global

Compact initiative. Presentation of Trelleborg's focus on products for improved sustainability.

- October 2013: Students in the Master's Program at the International Institute for Industrial Environmental Economics (IIIEE) at Lund University in Sweden once again reviewed Trelleborg's Corporate Responsibility report – in workshop form – from a stakeholder perspective and presented large and small improvement suggestions.
- October 2013: Trelleborg held a lecture on "The Social Dimension of Sustainability" at Lund University's Faculty of Engineering.
- June and October 2013: Presentations on Trelleborg's sustainability work for visiting representatives of the Tianjin Economic-Technological Development Area and China Rubber Industry Association.
- Participation in a number of networking meetings, such as the Sustainable Business Hub, CSR Skåne and the Swedish Association of Environmental Managers.

**Created and distributed value.** Trelleborg's operations generate a financial value that is largely distributed among various stakeholders, such as suppliers of goods and services, employees, shareholders, banks and other creditors, and to society in the form of taxes. The figures below relate to continuing operations for both 2013 and 2012. In 2013, the Group generated SEK 21,868 M (21,727), of which SEK 20,211 M (19,850) was distributed among various groups of stakeholders, as shown in the diagram and specification below.

### Distributed value 2013

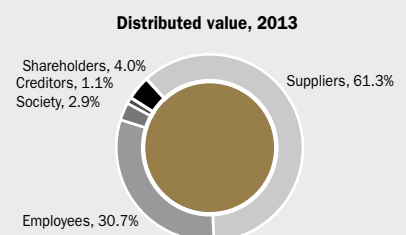
**Suppliers:** *Payment for material and services:* SEK 12,386 M (12,460), Note 8.

**Employees:** *Salaries and benefits:* SEK 6,196 M (6,049), Note 8.

**Shareholders:** *Dividend in 2013:* SEK 813 M (678). *Long-term dividend policy:* 30-50 percent of net profit for the year, refer to page 4.

**Creditors:** *Interest expenses:* SEK 229 M (203), Note 11.

**Society:** *Taxes paid:* SEK 587 M (460), page 76.



# Responsibility for customers and suppliers

Trelleborg's responsibility along the value chain is based on good business ethics: monitoring suppliers, and ensuring the quality and safety of the solutions the Group delivers.

**Suppliers.** Trelleborg's objective is to work solely with suppliers who adopt its quality requirements and business principles.

The evaluation of suppliers primarily takes place through Group-wide questionnaires containing questions relating to health and safety, environmental management and social responsibility.

Unsatisfactory responses will be investigated and underperforming suppliers are given a deadline for taking corrective measures. The target for the Group is for each production unit to complete a CR evaluation of its suppliers at a level corresponding to 80 percent of the relevant purchasing value as defined by Trelleborg.

At year-end 2013, suppliers corresponding to about 81.4 percent (79.5) of the relative purchasing value in production units had been reviewed. Investigations and dialogs pertaining to CR evaluations are being carried out with a total of four suppliers.

In 2013, zero supplier relations were terminated for environmental or social reasons (0).

One issue that resulted in a new Group-wide initiative in 2013 was the subject of conflict minerals. U.S. companies are now required to report all products containing minerals that could contribute to the funding of armed conflicts in the Democratic Republic of the Congo (DRC) and bordering countries. Companies thus require their suppliers to review their input goods and components with this in mind. In response to such customer demands, Trelleborg developed Group-wide templates during the year for assessing the presence of conflict minerals upstream in the supply chain.

**Products.** The designation Blue Dimension™ describes the way Trelleborg's products and solutions – in addition to the fundamental value their function

offers customers – also contribute to a sustainable society. For further information and examples, refer to page 39.

When developing new products, consideration is always given to legal and customer requirements, such as product liability, and environmental, health and safety aspects during the manufacturing and product use phases where relevant. Trelleborg's Environmental Policy also states that the precautionary principle should be taken into account and that the company should, as far as possible, reduce and replace hazardous substances and materials in products and processes. This is in line with work currently in progress in consultation with customers to replace particularly hazardous substances in existing product specifications in accordance with the EU REACH regulation (see also page 42).

Product development is usually conducted in close collaboration with the customer. Trelleborg provides product information in the form of labeling, safety data sheets, IMDS declarations and environmental declarations corresponding to the requirements set by each customer or market.

Many customers, such as the automotive and construction industries, have specific requirements for the products'

environmental properties and input parts. Industry or customer-specific limitation lists also exist for chemicals.

**Transportation.** More than 90 percent of Trelleborg's raw materials and finished products are transported by truck. The Group engages transport companies that can handle freight in an effective and safe manner. The most significant environmental impact of transport activities is carbon dioxide emissions arising from the use of fossil fuels.

**Recycling.** In Trelleborg's production processes, a significant proportion of the rubber waste that is produced before the material has been vulcanized is recycled, while vulcanized rubber cannot be re-used as a raw material.

When it comes to the recycling of tires, progress has been made at the European level. About ten years ago, only half of all worn tires were collected and the majority went to landfill. According to the Swedish tire industry's jointly owned company, the Swedish Tyre Recycling Organisation (SDAB), where Trelleborg has a seat on the Board, 95 percent of all worn tires in Europe are now recycled to produce material or energy.



# Responsibility for society and the community

Trelleborg's ambition for its social involvement is to contribute to global development by supporting the local community in which it conducts operations.

**Community involvement.** Trelleborg participates in numerous community activities. At a local level, these involve cooperation with neighbors, interest groups, authorities and sports clubs.

A special place has been reserved in Trelleborg's community involvement program for supporting young people and their education and tutoring activities, for example, via collaboration with Star for Life in Sri Lanka and Save the Children in Brazil (see below) and locally by providing support to handicapped children, scouts and preschools.

In the area of education, Trelleborg collaborates with several universities and schools, which requires regular contact with researchers and students. Trelleborg's collaborative partners include LUISS and Tor Vergata in Italy, Malta University and MCAST (Malta College of Arts, Science and Technology) in Malta and the International Institute for Industrial Environmental Economics (IIIEE) in Sweden.

Over the years, many research and de-gree projects have been carried out at Trelleborg's plants, specializing in such areas as the environment. Trelleborg also has a "learning partnership" with the Lund University School of Economics and Management in Sweden, involving the sponsorship of two postgraduate appointments.

Trelleborg does not sponsor political or religious organizations. Trelleborg's sponsorship guidelines state that the company is to prioritize sponsorship commitments that benefit society and the regions in which the Group operates. Sponsorship must support Trelleborg's values and strengthen the company's relationships with customers and other partners.

**Communication.** One of the central communication goals is to contribute to Trelleborg acting as a good corporate citizen and, in line with this, communicate a relevant image of the company's

operations. Trelleborg's communication is regulated by the company's Communication Policy, which contains communication rules for the entire organization, including communication with the stock market. The company's communication must comply with applicable legislation, regulations and standards, be characterized by a close relationship with the company's stakeholders and be founded on regular contact, clarity and good ethics.

Trelleborg's policy for employee participation in social media, based on the same fundamental values as other communication, contains regulations concerning ethical behavior for all employees representing the company in such channels as blogs and social networks.



**Save the Children**  
Sweden

**Trelleborg and Save the Children.** The Group's long-standing cooperation with Save the Children comprises yearly support, and forms part of Trelleborg's ambition to assume greater global social responsibility by contributing to children's development and education. As of 2014, the collaboration will focus on providing support for preschools in Brazil.

**Strengthening prospects of young people.** Since 2013,

Trelleborg has cooperated with Star for Life as part of the Kelani Maha Vidyalaya school program in Colombo, Sri Lanka. The idea behind the initiative is to inspire young people to believe in their future and their dreams. The program is conducted in periods spanning three years in selected schools. The head coach and other staff train school personnel to continue the work once the program has been completed.



**Trelleborg promotes diversity in Swedish business.** Rosengård Invest, based in

Malmö, is an investment company that was founded in 2009 by Trelleborg AB in partnership with E.ON, Swedbank and Scandinavian Cap AB. The company focuses on raising venture capital for entrepreneurs who do not have a Swedish background and invests in new and existing companies in the Swedish market.

**ROSEN  
G>RD  
INVEST**

## Comments on the consolidated income statements

During the year, the Group further enhanced its market positions. Sales were in line with the preceding year and organic sales growth amounted to 1 percent (1). Work aimed at focusing the operations and increasing presence in attractive and profitable market segments is continuing, primarily on the basis of organic initiatives, but the contribution from acquired units was clear during the year. Four bolt-on acquisitions were conducted during the year, further strengthening Trelleborg's position in selected segments. Consolidated operating profit, excluding items affecting comparability and participations in TrelleborgVibracoustic, was the highest to date for the Group. The corresponding operating margin was 12.2 percent (11.0). Most of the business areas contributed to the positive trend. The work on integrating the TrelleborgVibracoustic joint venture proceeded according to plan and the company reported healthy organic growth and clearly improved earnings.

### Net sales, continuing operations

In 2013, sales for the Group's continuing operations increased to SEK 21,473 M (21,262), up 1 percent. Organic growth was 1 percent. The effects of structural changes amounted to approximately 4 percent, or about SEK 820 M, while exchange-rate effects were just under negative 4 percent, corresponding to about SEK 700 M. For comparable units and excluding exchange-rate effects, sales in the first six months of the year were slightly higher than in the second half of the year. The trend in organic sales for the year was in line with 2012 or slightly negative for all business areas, except for Trelleborg Sealing Solutions which reported a slightly positive performance.

The organic sales trend in Europe was 2 percent. The trend in northern Europe was in line with the preceding year, while growth was robust in southern and eastern Europe, albeit from low levels. The organic sales trend in North America fell 5 percent. South America experienced a negative trend, down 12 percent. In Asia, organic sales increased by 6 percent due to robust growth in such geographic markets as China and South Korea. In addition to organic growth, acquired operations contributed growth of approximately 4 percent.

The market conditions among the Group's market segments varied over the course of the year. In most of the Group's segments, demand was in line with or slightly better than the preced-

ing year. Overall, the level of activity in offshore oil & gas was higher than in 2012. The Group's market positions were generally maintained or improved.

For Trelleborg Coated Systems, organic sales declined by 2 percent compared with 2012. Both coated fabrics and printing blankets reported negative organic sales performance. Sales in Asia contributed to the positive performance for the full-year. The effects of structural changes of 12 percent were attributable to the autumn 2012 acquisition of the Brazilian manufacturer of printing blankets.

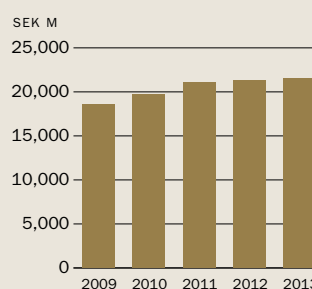
The Trelleborg Industrial Solutions business area conducts operations in several of the Group's core market segments. Organic sales for the full-year were unchanged compared with 2012. The transportation equipment and light vehicles market segments reported a positive organic sales trend during the year. A slightly positive trend was noted in Europe and North America.

Organic sales for the Trelleborg Offshore & Construction business area, with a heavy emphasis on project-based business, remained unchanged compared with 2012. The year was distinguished by high market activity, primarily in offshore oil & gas, where Trelleborg's market-leading position was strengthened. The higher market activity was reflected in a growing order book. Continued favorable market activity was noted in the infrastructure segment.

For the Trelleborg Sealing Solutions business area, organic sales rose by 1 percent compared with 2012. While negative organic sales were noted in the first six months of the year, the second half of the year contributed positively with healthy organic sales. Asia grew throughout the year and Europe reported a moderate level of positive growth in all market segments. Overall, North America posted slightly negative organic sales for the full-year, which was mainly the result of a reduced exposure to the light vehicles industry. However, the aerospace market segment reported organic growth.

For the Trelleborg Wheel Systems business area, organic sales declined by 1 percent compared with 2012. While negative organic sales were noted in the first six months of the year, the second half of the year contributed positively. An increase in agricultural tire sales was noted compared with 2012. The full-year organic sales

Net sales



### Net sales by business area

SEK M	2013	2012	Organic growth, %	Structural changes, %	Exchange-rate fluctuations, %	Total change, %
Trelleborg Coated Systems	1,839	1,738	-2	12	-4	6
Trelleborg Industrial Solutions	4,407	4,502	0	0	-2	-2
Trelleborg Offshore & Construction	3,587	3,644	0	4	-6	-2
Trelleborg Sealing Solutions	7,093	7,215	1	0	-3	-2
Trelleborg Wheel Systems	4,189	3,865	-1	13	-4	8
Group items	921	1,076				
Eliminations	-563	-778				
<b>Continuing operations</b>	<b>21,473</b>	<b>21,262</b>	<b>1</b>	<b>4</b>	<b>-4</b>	<b>1</b>

## Consolidated income statements

SEK M	Note	2013	2012
<b>Continuing operations:</b>			
<b>Net sales</b>	2	21,473	21,262
Cost of goods sold		-14,167	-14,395
<b>Gross profit</b>		<b>7,306</b>	<b>6,867</b>
Selling expenses		-2,112	-2,028
Administrative expenses		-2,355	-2,336
R&D costs		-309	-309
Other operating income	6	238	253
Other operating expenses	6	-157	-108
Participations in TrelleborgVibracoustic	7	355	109
Share of profit or loss in associated companies	7	2	3
Items affecting comparability	5	-410	11
<b>Operating profit</b>	3,4,8,9,10	<b>2,558</b>	<b>2,462</b>
Financial income	11	32	49
Financial expenses	11	-229	-203
<b>Profit before tax</b>		<b>2,361</b>	<b>2,308</b>
Tax		-587	-488
Tax attributable to TrelleborgVibracoustic		-118	-32
<b>Total tax</b>	12	<b>-705</b>	<b>-520</b>
<b>Net profit</b>		<b>1,656</b>	<b>1,788</b>
<b>Discontinued operations:</b>			
<b>Net sales</b>		-	<b>3,975</b>
<b>Operating profit</b>		<b>-39</b>	<b>353</b>
<b>Profit before tax</b>		<b>-39</b>	<b>318</b>
<b>Net profit</b>		<b>-39</b>	<b>269</b>
<b>Group:</b>			
<b>Total net sales</b>		<b>21,473</b>	<b>25,237</b>
<b>Total operating profit</b>		<b>2,519</b>	<b>2,815</b>
<b>Total profit before tax</b>		<b>2,322</b>	<b>2,626</b>
<b>Total net profit</b>		<b>1,617</b>	<b>2,057</b>
<i>Attributable to:</i>			
- shareholders of the Parent Company		1,609	2,042
- non-controlling interests	13	8	15
<b>Earnings per share<sup>1)</sup>, SEK</b>			
<i>Continuing operations:</i>			
Earnings		6.08	6.56
Earnings, excluding items affecting comparability <sup>2)</sup>		7.40	6.31
<i>Total:</i>			
Earnings		5.93	7.53
Dividend <sup>3)</sup>		3.25	3.00
<b>Number of shares</b>			
Average		271,071,783	271,071,783

<sup>1)</sup> No dilution effects arose

<sup>2)</sup> Net earnings have been adjusted for items affecting comparability, SEK M

<sup>3)</sup> As proposed by the Board of Directors and the President

### Statements of comprehensive income

SEK M	2013	2012
<b>Net profit</b>	<b>1 617</b>	<b>2 057</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to the income statement</b>		
Reassessment of net pension obligation	43	16
Translation differences	-8	-
Income tax relating to components of other comprehensive income	-16	-
	19	16
<b>Items that may be reclassified to the income statement</b>		
Cash-flow hedges	65	10
Hedging of net investment	-193	536
Translation differences	121	-972
Income tax relating to components of other comprehensive income	49	-142
	42	-568
<b>Other comprehensive income, net of tax</b>	<b>61</b>	<b>-552</b>
<b>Total comprehensive income</b>	<b>1,678</b>	<b>1,505</b>
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Parent Company	1,669	1,490
Non-controlling interests	9	15

trend for tires for materials handling vehicles was negative. However, sales in this segment increased as a result of the industrial tire operation acquired at year-end 2012, with facilities in China and the U.S.

Sales reported under Group items largely relate to the Group's joint compound mixing units.

**Consolidated net sales amounted to:**

SEK M	2013	2012
Continuing operations	21,473	21,262
Discontinued operations	-	3,975
<b>Total</b>	<b>21,473</b>	<b>25,237</b>

**Net sales, Group**

Consolidated net sales amounted to SEK 21,473 M (25,237). In 2012, net sales in now discontinued operations, primarily former Trelleborg Automotive units, were consolidated for the first six months of the year.

**Net sales per market**

The organic sales trend for full-year 2013 in Western Europe was constant compared with the preceding year where the second half of the year noted a positive trend. Variation between the countries was considerable. Performance in such countries as France, Norway, Italy and Spain was positive, while Germany, the U.K. and the Netherlands noted a negative trend in organic sales. Sales in Sweden were in line with the preceding year. The trend was negative in North America, down about 5 percent. Sales in South America, primarily Brazil, declined during the year. Organic sales to countries in Asia rose by approximately 6 percent. Performance in China and South Korea was very strong. Negative sales growth was noted in Australia.

Western Europe remains the most important market for Trelleborg, accounting for a 55-percent share of sales. Rest of Europe accounted for a 6-percent share, North America for 20 percent and South and Central America for 3 percent, while the combined share for the markets in Asia and the rest of the world was 16 percent.

**Net sales per geographic market**

SEK M	2013	2012
Western Europe	11,704	11,821
North America	4,352	4,223
Rest of World	5,417	5,218
<b>Continuing operations</b>	<b>21,473</b>	<b>21,262</b>
Discontinued operations	-	3,975
<b>Trelleborg Group</b>	<b>21,473</b>	<b>25,237</b>

	Organic growth 2013, %	Share of total sales, %
Western Europe	0	55
North America	-5	20
Rest of World	6	25
<b>Total</b>	<b>1</b>	<b>100</b>

**Acquisitions and major investments**

The integration of the Brazilian manufacturer of printing blankets, acquired by the Trelleborg Coated Systems business area in autumn 2012, continued during the year. The acquisition had a positive

contribution on the business area's earnings trend. Investments were made in the largest solventless roller head line in the world for the production of printing blankets, which was commissioned in Italy during the year.

In 2013, Trelleborg Industrial Solutions completed the acquisition of SBM Offshore's cryogenic hose system technology. The transaction strengthens Trelleborg's offering of innovative products and solutions for the growing floating liquefied natural gas (FLNG) market. During the year, a plant in China was opened that manufactures polymer boots for drive shafts and steering applications for light vehicles.

Trelleborg Offshore & Construction acquired Sea Systems Technology Ltd during the year. The company is predominantly specialized in the development of software and manufacture of emergency shutdown systems and other communications systems used when carriers transporting liquefied natural gas (LNG) berth at terminals. The acquisition broadens Trelleborg's product portfolio of berthing, docking and mooring solutions for harbors and ships. The business area also completed the acquisition of Ambler Technologies Ltd. The company develops and produces composite materials that create strictly specified buoyancy and insulation properties in applications used primarily in deep-sea environments. The acquisition strengthens Trelleborg's position in oil and gas exploration and extraction, particularly in buoyancy modules for Remotely Operated Vehicles (ROVs).

During the year, Trelleborg Sealing Solutions commenced investments in a new facility in France for the production of seals and components for the aerospace industry. The facility replaces an older plant for the purpose of further strengthening the business area's position in the market segment. A new production unit in the U.S. for the manufacture and production of products subject to high cleanliness standards (cleanroom manufacturing) was completed in 2013.

In Trelleborg Wheel Systems, the integration of an industrial tire operation in China and North America, acquired at the end of the fourth quarter 2012, continued during the year. The acquisition made a positive contribution on operating profit for the year. An industrial tire operation in the Netherlands was also acquired during the year. The operation specializes in the distribution and service of industrial tires, such as those fitted on forklifts. The acquisition strengthens and enlarges Trelleborg's European industrial tire distribution network.

**Operating profit continuing operations, excluding items affecting comparability and participations in TrelleborgVibracoustic**

Consolidated operating profit excluding items affecting comparability and participations in TrelleborgVibracoustic amounted to SEK 2,613 M (2,342), up 12 percent.

The increase in operating profit is mainly the result of a relatively stable sales trend, continued favorable efficiency and cost control. Companies acquired during the year made a positive contribution to the earnings trend. Exchange-rate effects from the translation of foreign subsidiaries primarily affected the first half of the year, and had a negative impact of about SEK 106 M (neg: 2) for the full-year.

The operating margin was 12.2 percent (11.0), the best margin to date for the Group. Generally in the Group, implemented and ongoing action programs continued to generate positive effects in the form of more efficient structures and lower costs. The Group continues to optimize its purchasing processes and thereby ensure efficient purchasing management.

Operating profit and the operating margin increased in the

Trelleborg Coated Systems business area year-on-year mainly due to the Brazilian manufacturer of printing blankets, acquired in autumn 2012, and associated synergies. The underlying operating profit was negatively affected by unfavorable exchange-rate differences, which were partly offset by enhanced cost management. Actions were initiated to improve profitability. Exchange-rate effects from the translation of foreign subsidiaries had a negative impact of SEK 8 M on operating profit compared with 2012.

Operating profit and the operating margin also improved for Trelleborg Industrial Solutions, year-on-year, primarily due to improved market positions, favorable project deliveries and the positive effect of previously communicated restructuring programs. Exchange-rate effects from the translation of foreign subsidiaries had a negative impact of SEK 9 M on operating profit compared with 2012.

For the Trelleborg Offshore & Construction business area, operating profit and operating margin rose year-on-year, predominantly due to an enhanced sales mix and improved cost efficiency. The two companies acquired during the first half of the year and active in marine systems and offshore oil & gas, respectively, contributed positively to operating profit during 2013. Exchange-rate effects from the translation of foreign subsidiaries had a negative impact of SEK 14 M on operating profit compared with 2012.

For Trelleborg Sealing Solutions, operating profit declined year-on-year. Exchange-rate effects from the translation of foreign subsidiaries had a negative impact of SEK 56 M on operating profit compared with 2012. Adjusted for exchange-rate effects, operating profit increased during the year. Healthy profitability was maintained during the year and the operating margin was on par with the preceding year at 21.0 percent (20.9).

Operating profit and operating margin for Trelleborg Wheel Systems increased during the year, primarily on account of efficient cost management. The industrial tire operation acquired in 2012 – with facilities in China and the U.S. – also positively impacted earnings during the year. Exchange-rate effects from the translation of foreign subsidiaries had a negative impact of SEK 23 M on operating profit compared with 2012.

**Operating profit**

SEK M	2013	2012
Trelleborg Coated Systems	197	177
Trelleborg Industrial Solutions	420	328
Trelleborg Offshore & Construction	274	216
Trelleborg Sealing Solutions	1,486	1,513
Trelleborg Wheel Systems	490	449
Group items	-254	-341
<b>Total</b>	<b>2,613</b>	<b>2,342</b>

**TrelleborgVibracoustic**

Trelleborg and the German company Freudenberg completed the formation of the joint venture in antivibration solutions for light and heavy vehicles, TrelleborgVibracoustic, in 2012. The company consists of Trelleborg's former antivibration operation in the Trelleborg Automotive business area and Freudenberg's corresponding activities, Vibracoustic. The company is a global market leader in antivibration solutions for the automotive industry.

The company has a stable foundation comprising a good combination of operations that complement each other in terms of geographic coverage, product portfolios and customers. The Trelleborg Group reports the company as a joint venture in its

financial statements and it is recognized in line with the equity method.

The company performed well in 2013. The sales trend for the year exceeded the underlying market. Operating profit excluding items affecting comparability and net interest income amounted to SEK 1,078 M. Operating profit increased year-on-year, mainly on account of higher volumes, synergies from ongoing restructuring activities and continued improvements in production efficiency. Items affecting comparability for the year amounted to a negative SEK 268 M and primarily relate to restructuring costs. Financial income and expenses amounted to a net expense of SEK 101 M and taxes to SEK 236 M.

Participations in TrelleborgVibracoustic are included in operating profit of the Trelleborg Group in line with the equity method in the amount of SEK 355 M before tax (SEK 109 M for the period July-December 2012).

**TrelleborgVibracoustic, statement of participations in the Trelleborg Group**

SEK M	2013	Jul-Dec 2012 <sup>1)</sup>
Operating profit, excl. items affecting comparability	1,078	377
Acquisition-related costs	-54	-37
Amortization of intangible assets <sup>2)</sup>	-38	-44
Restructuring costs	-176	-32
Operating profit, incl. items affecting comparability	810	264
Financial income and expenses	-101	-47
Profit before tax	710	217
Trelleborg's participation	355	109
Tax	-236	-64
Trelleborg's participation	-118	-32
Net profit	474	153
Trelleborg's participation	237	77

<sup>1)</sup> TrelleborgVibracoustic was formed in July 2012.

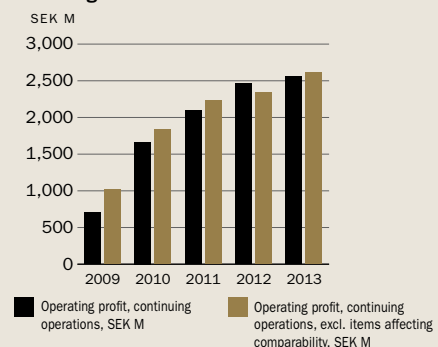
<sup>2)</sup> Linked to the purchase price allocation.

**Items affecting comparability**

Work relating to restructuring measures continued in the Group and related costs were charged to consolidated operating profit in the amount of SEK 255 M (neg: 192).

During the year, items affecting comparability relating to process and dispute costs were reported in connection with the European Commission's ruling relating to Trelleborg's participation in a marine hose cartel. The decision handed down by the European

**Operating profit, excluding participations in TrelleborgVibracoustic**



Court of Justice (see below) entailed that previous provisions were insufficient and, therefore, an additional SEK 155 M was charged to profit for the year. The amount was paid during the third quarter. The sale of a property in Södra Hammarbyhamnen, Sweden, generating income of SEK 203 M was reported in 2012. The combined impact of items affecting comparability on operating profit was an expense of SEK 410 M (income: 11).

### Costs for action programs

SEK M	2013	2012
Trelleborg Coated Systems	-36	-
Trelleborg Industrial Solutions	-69	-71
Trelleborg Offshore & Construction	-6	-67
Trelleborg Sealing Solutions	-57	-26
Trelleborg Wheel Systems	-17	-
Group items	-70	-28
<b>Total before tax</b>	<b>-255</b>	<b>-192</b>
<b>Total after tax</b>	<b>-203</b>	<b>-135</b>

### Earnings

SEK M	2013	2012
Operating profit, excluding items affecting comparability and participations in TrelleborgVibracoustic	2,613	2,342
Operating margin, %	12.2	11.0
Items affecting comparability	-410	11
Participations in TrelleborgVibracoustic <sup>1)</sup>	355	109
Operating profit	2,558	2,462
Operating margin, %	11.9	11.6

<sup>1)</sup> TrelleborgVibracoustic was formed in July 2012.

### Operating profit, discontinued operations

The following items are reported under discontinued operations for 2013: costs connected to the final settlement of a purchase consideration relating to the earlier divestment of a unit and a final adjustment to a pension liability connected to another previously implemented divestment. 2012 included the French light-vehicle component operation, protective products operations and Trelleborg's former antivibration operation in the Trelleborg Automotive business area which, following the formation of TrelleborgVibracoustic, is included in the joint venture. Operating loss for discontinued operations in 2013 amounted to SEK 39 M (profit: 353).

### Consolidated earnings

Consolidated operating profit amounted to SEK 2,519 M (2,815). Exchange-rate effects upon the translation of foreign subsidiaries had a negative impact on operating profit of SEK 113 M compared with the preceding year (pos: 4). The Group's net financial expense amounted to SEK 197 M (expense: 189), corresponding to a rate of interest of 3.3 percent (3.0). Excluding interest charges connected to the cartel ruling (see also Note 11 and additional information on this page), the interest rate was 2.7 percent. Profit before tax totaled SEK 2,322 M (2,626). The tax cost for the year totaled SEK 705 M (cost: 569). The tax rate was 30 percent (22), negatively impacted

by certain non-recurring items during the year. Net profit was SEK 1,617 M (2,057) and earnings per share were SEK 5.93 (7.53).

### Consolidated earnings

SEK M	2013	2012
Net sales	21,473	25,237
Operating profit	2,519	2,815
Profit before tax	2,322	2,626
Net profit	1,617	2,057

### Competition investigations into subsidiaries

In 2007, a subsidiary of Trelleborg was the subject of investigation in relation to participation in a marine hose cartel. In January 2009, the European Commission imposed a penalty of EUR 24.5 M on Trelleborg as a result of this matter. Although Trelleborg accepts the judgment in actual matter of fact, Trelleborg appealed the European Commission's decision to the European Court of Justice on the grounds that the decision was partially deemed to diverge from Union law applicable at that time regarding interpretation of the limitation period. However, the European Court of Justice affirmed the European Commission's judgment and penalty amount in 2013. The Trelleborg Group takes all violations of applicable law very seriously and an extensive action program has been in place for several years based on the Group's zero tolerance approach to corruption and breaches of competition law.

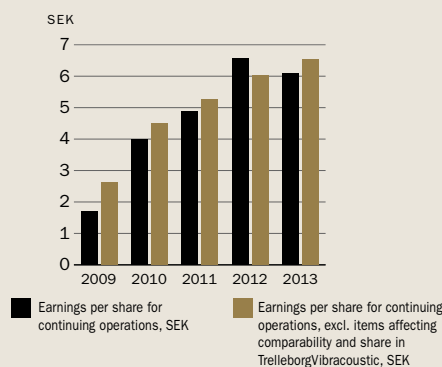
### Events after the closing date

Trelleborg Wheel Systems completed the acquisition of an industrial tire operation in Italy. The operation specializes in the distribution and service of industrial tires, such as those fitted on forklifts. The acquisition further strengthens and enlarges Trelleborg's European industrial tire distribution network.

### Market outlook for the first quarter of 2014.

Demand is expected to be on a par with the fourth quarter of 2013, adjusted for seasonal variations.

### Earnings per share





## Income statement per quarter

## Group

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2013	2012	2013	2012	2013	2012	2013	2012
Net sales	5,394	7,773	5,628	7,533	5,306	4,965	5,145	4,966
Operating profit	712	744	616	1,115	612	591	579	365
Profit before tax	670	689	584	1,056	531	552	537	329
Net profit	491	501	385	901	382	398	359	257

## Net sales per quarter, continuing operations

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2013	2012	2013	2012	2013	2012	2013	2012
Trelleborg Coated Systems	463	469	477	464	435	399	464	406
Trelleborg Industrial Solutions	1,094	1,202	1,140	1,162	1,090	1,031	1,083	1,107
Trelleborg Offshore & Construction	856	899	978	929	913	892	840	924
Trelleborg Sealing Solutions	1,750	1,973	1,833	1,944	1,787	1,706	1,723	1,592
Trelleborg Wheel Systems	1,109	1,128	1,111	1,052	1,010	852	959	833
Group items	271	309	246	290	199	231	205	246
Eliminations	-149	-257	-157	-229	-128	-150	-129	-142
<b>Total</b>	<b>5,394</b>	<b>5,723</b>	<b>5,628</b>	<b>5,612</b>	<b>5,306</b>	<b>4,961</b>	<b>5,145</b>	<b>4,966</b>

## Operating profit excluding items affecting comparability per quarter, continuing operations

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2013	2012	2013	2012	2013	2012	2013	2012
Trelleborg Coated Systems	60	57	52	53	30	30	55	37
Trelleborg Industrial Solutions	96	89	110	76	120	70	94	93
Trelleborg Offshore & Construction	47	47	81	67	76	45	70	57
Trelleborg Sealing Solutions	352	429	416	464	386	343	332	277
Trelleborg Wheel Systems	144	156	137	133	117	88	92	72
Group items	-60	-112	-73	-91	-41	-48	-80	-90
<b>Total</b>	<b>639</b>	<b>666</b>	<b>723</b>	<b>702</b>	<b>688</b>	<b>528</b>	<b>563</b>	<b>446</b>

## Comments on the consolidated balance sheets

The Group's total capital employed rose to SEK 20,263 M (19,233), representing an increase of SEK 1,030 M attributable to:

SEK M	2013
Company acquisitions	243
Divested operations	-15
Change in working capital	224
Change in non-current assets	168
Change in participations in joint venture/associated companies	255
Exchange-rate effects upon translation of foreign subsidiaries	155
<b>Total change in capital employed</b>	<b>1,030</b>

During the year, acquired operations accounted for an increase in capital employed of SEK 243 M, of which SEK 138 M pertained to goodwill. The change in working capital of SEK 224 M was mainly attributable to an increase in operating receivables of SEK 351 M, which was primarily driven by generally higher market activity that was partly offset by lower inventories of SEK 111 M, including effects of items affecting comparability. Non-current assets reported a net increase of SEK 168 M. Gross capital expenditure totaled SEK 922 M (910). Investments for the year for continuing operations are distributed as follows: SEK 852 M in property, plant and equipment and SEK 70 M in intangible assets. Depreciation and amortization in continuing operations for the year amounted to SEK 682 M (676). Impairment losses for continuing operations, net after reversals, totaled SEK 31 M (22). Participations in joint ventures and associated companies increased by SEK 255 M. Most of the increase is associated with the participations in the joint venture Trelleborg-Vibracoustic. Exchange-rate effects increased capital employed by SEK 155 M during the year.

The closing balances of capital employed are specified as follows:

SEK M	2013	2012
Inventories	3,188	3,275
Operating receivables	4,364	4,084
Operating liabilities	-4,725	-4,726
<b>Total working capital</b>	<b>2,827</b>	<b>2,633</b>
Non-current assets	14,314	13,733
Participations in joint ventures/associated companies	3,122	2,867
<b>Capital employed</b>	<b>20,263</b>	<b>19,233</b>

Return on capital employed was 15.2 percent (13.9) for continuing operations excluding items affecting comparability and excluding participations in TrelleborgVibracoustic. The improved earnings generation and continued favorable efficiency of the management of working capital had a positive impact on return.

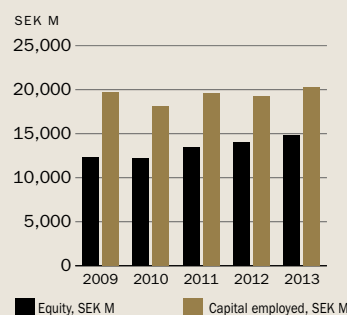
### Equity

Total equity increased during the year by SEK 865 M to SEK 14,877 M (14,012). Translation differences reduced total equity by a net amount of SEK 10 M, including exchange-rate differences (net after tax) on hedging instruments.

Total dividends amounted to SEK 813 M (683), of which SEK 0 M (5) was distributed to non-controlling interests.

As a consequence of the amended accounting policies, IAS 19 Employee Benefits, an unrealized actuarial net loss increased the pension liability and reduced equity. The negative impact on equity at January 1, 2012 amounted to SEK 173 M. In addition, comprehensive income for the year in 2012 was affected by a positive

### Capital structure



### Trelleborg Group, change in total equity

Total equity	Attributable to shareholders of the Parent Company								Non-controlling interests		Total		
	Share capital		Other capital contributions		Other reserves		Profit brought forward		2013	2012	2013	2012	
	2013	2012	2013	2012	2013	2012	2013	2012					
SEK M													
Opening balance, January 1	2,620	2,620	226	226	-1,214	-646	12,345	11,138	35	166	14,012	13,504	
Effect of amended accounting policies, IAS 19								-173			-	-173	
Adjusted opening balance, January 1	2,620	2,620	226	226	-1,214	-646	12,345	10,965	35	166	14,012	13,331	
Total comprehensive income					41	-568	1,628	2,058	9	15	1,678	1,505	
Dividend							-813	-678	0	-5	-813	-683	
Acquisitions									-	-14	-	-14	
Divested operations									-	-127	-	-127	
<b>Closing balance, December 31</b>	<b>2,620</b>	<b>2,620</b>	<b>226</b>	<b>226</b>	<b>-1,173</b>	<b>-1,214</b>	<b>13,160</b>	<b>12,345</b>	<b>44</b>	<b>35</b>	<b>14,877</b>	<b>14,012</b>	

For other reserves, refer to Note 26.

The Board of Directors and the President propose a dividend of SEK 3.25 per share (3.00), a total of SEK 881 M (813).

## Consolidated balance sheets

December 31, SEK M	Note	2013	2012
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	14	5,141	4,909
Goodwill	15	8,576	8,329
Other intangible assets	15	597	495
Participations in joint ventures/associated companies	7	3,122	2,867
Financial assets	16-17, 29	241	342
Deferred tax assets	18	628	784
<b>Total non-current assets</b>		<b>18,305</b>	<b>17,726</b>
<i>Current assets</i>			
Inventories	19	3,188	3,275
Current operating receivables	20-21, 29	4,292	3,992
Current tax assets		366	428
Interest-bearing receivables	22, 29	244	1,143
Cash and cash equivalents	24, 29	893	660
<b>Total current assets</b>		<b>8,983</b>	<b>9,498</b>
<b>TOTAL ASSETS</b>		<b>27,288</b>	<b>27,224</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Shareholders' equity</i>			
Share capital		2,620	2,620
Contributions of other capital		226	226
Other reserves	26	-1,173	-1,214
Profit brought forward		11,551	10,303
Net profit for the year		1,609	2,042
<b>Total</b>		<b>14,833</b>	<b>13,977</b>
Non-controlling interests	13	44	35
<b>Total equity</b>		<b>14,877</b>	<b>14,012</b>
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	27, 29	4,874	4,942
Other non-current liabilities	30	77	155
Pension provisions	31	494	600
Other provisions	32	101	82
Deferred tax liabilities	18	263	282
<b>Total non-current liabilities</b>		<b>5,809</b>	<b>6,061</b>
<i>Current liabilities</i>			
Interest-bearing current liabilities	27, 29	2,023	2,433
Current tax liability		406	625
Other current liabilities	29-30, 33	3,869	3,753
Other provisions	32	304	340
<b>Total current liabilities</b>		<b>6,602</b>	<b>7,151</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>27,288</b>	<b>27,224</b>
Contingent liabilities	34	37	51
Pledged assets	34	0	0

**Net debt**

SEK M	2013	2012
Non-current interest-bearing investments and receivables	123	212
Current interest-bearing receivables	244	1,143
Cash and cash equivalents	893	660
<b>Total interest-bearing assets</b>	<b>1,260</b>	<b>2,015</b>
Interest-bearing non-current liabilities	-4,874	-4,942
Interest-bearing current liabilities	-2,023	-2,433
<b>Total interest-bearing liabilities</b>	<b>-6,897</b>	<b>-7,375</b>
<b>Net debt</b>	<b>-5,637</b>	<b>-5,360</b>
<i>Change in net debt:</i>		
Net debt at January 1	-5,360	-6,425
Net cash flow for the year	-101	740
Exchange-rate differences	-176	325
<b>Net debt at year-end</b>	<b>-5,637</b>	<b>-5,360</b>
<hr/>		
	<b>2013</b>	<b>2012</b>
<i>Group</i>		
Debt/equity ratio, %	38	38
Net debt/EBITDA, multiples	1.7	1.4
EBITDA/net interest income <sup>1)</sup> , multiples	22.5	21.9
<i>Continuing operations, including items affecting comparability</i>		
Net debt/EBITDA, multiples	1.7	1.7
EBITDA/net interest income <sup>1)</sup> , multiples	22.8	17.7

<sup>1)</sup> Excluding interest expenses of SEK 36 M related to the European Commission's ruling relating to the Group's participation in a marine hose cartel. The interest expense is attributable to the appeal period (2009-2013). See also Note 11.

revaluation of SEK 16 M. Accordingly, the total negative impact on the equity at December 31, 2012 amounted to SEK 157 M. Also, pension provisions increased by SEK 231 M and deferred tax assets rose by SEK 74 M, compared with earlier policies.

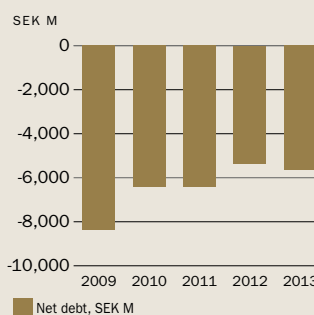
The equity/assets ratio was 55 percent (51). At the end of the year, equity per share (271.1 million shares) totaled SEK 54.72 (51.56). Return on equity for continuing operations including TrelleborgVibracoustic and including items affecting comparability amounted to 11.4 percent (13.0).

**Net debt and financing**

Net debt for the year rose to SEK 5,637 M (5,360), up SEK 277 M. Net debt was impacted by a negative net cash flow and negative exchange-rate differences totaling SEK 176 M. The debt/equity ratio at year-end was 38 percent (38). The net debt/EBITDA ratio for continuing operations including items affecting comparability was 1.7 (1.7).

Interest-bearing assets declined by SEK 755 M during the year, which was largely on account of the repayment of a shareholder loan of approximately SEK 800 M from the joint venture Trelleborg-Vibracoustic.

Trelleborg concluded an agreement regarding an extension of the existing syndicated credit facility established in 2011. The extended credit facilities totaling EUR 750 M and USD 625 M, equivalent to approximately SEK 11,000 M, have a tenor of five years and will mature in December 2018, with an option of extension thereafter for a maximum of two further years. A total of 17 financial institutions from nine countries are participating in the credit facility.

**Net debt**


## Comments on the consolidated cash-flow statements

Consolidated operating cash flow amounted to SEK 2,162 M (2,248). Earnings generation remained favorable. Tied-up working capital increased during the year. The change was attributable to a reduction in inventory of SEK 100 M, an increase in operating receivables of SEK 351 M and a reduction in operating liabilities of SEK 27 M. Similar to the preceding year, there was a gradual increase in the pace of capital expenditures during the year, mainly during the fourth quarter, and total capital expenditure amounted to SEK 922 M (910), representing 4.3 percent (4.3) of sales.

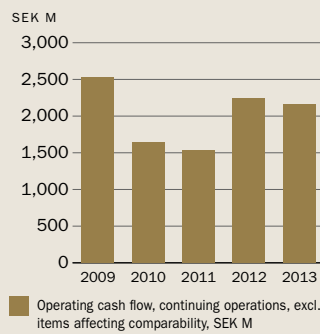
Items affecting comparability were higher compared with 2012 and impacted the Group's free cash flow, see also page 69. After deduction of payments pertaining to financial items and taxes paid, free cash flow amounted to SEK 965 M (1,714), corresponding to SEK 3.56 per share (6.32).

The amount reported as acquisitions carried out during the year, SEK 234 M (744), relates to an operation in marine docking and mooring solutions, an industrial tire distributor in the Netherlands, a niche company in offshore oil & gas and technology for cryogenic hose systems.

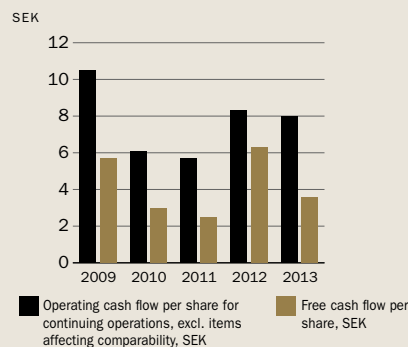
The positive cash flow recognized in the preceding year for discontinued operations related to the light-vehicle component operation, the protective product operation and the antivibration solution operation that was transferred to TrelleborgVibracoustic.

Dividend for the year to shareholders of the Parent Company amounted to SEK 813 M (678). Net cash flow amounted to an expense of SEK 101 M (income: 740).

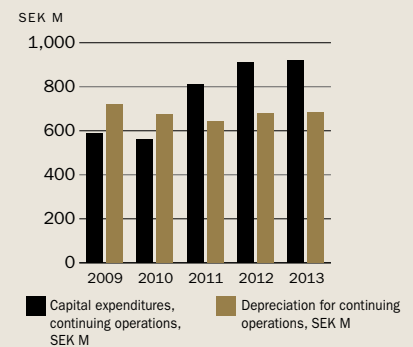
### Operating cash flow



### Cash flow per share



### Capital expenditures and depreciation



### Cash-flow report

SEK M	EBITDA		Capital expenditures		Sold non-current assets		Change in working capital		Other non-cash items		Total cash flow	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Trelleborg Coated Systems	252	244	-59	-96	2	0	-42	12	8	7	161	167
Trelleborg Industrial Solutions	564	471	-171	-133	3	5	54	68	17	17	467	428
Trelleborg Offshore & Construction	358	312	-120	-136	1	4	-165	37	15	13	89	230
Trelleborg Sealing Solutions	1,720	1,729	-288	-285	3	7	-39	219	26	25	1,422	1,695
Trelleborg Wheel Systems	608	547	-209	-200	4	2	26	-137	14	15	443	227
Group items	-205	-286	-75	-60	0	41	-58	-103	-82	-91	-420	-499
<b>Operating cash flow</b>	<b>3,297</b>	<b>3,017</b>	<b>-922</b>	<b>-910</b>	<b>13</b>	<b>59</b>	<b>-224</b>	<b>96</b>	<b>-2</b>	<b>-14</b>	<b>2,162</b>	<b>2,248</b>
Cash-flow effect of items affecting comparability/profit from sale of property											-352	81
Dividend – non-controlling interests											0	-5
Financial items											-258	-150
Tax paid											-587	-460
<b>Free cash flow</b>											<b>965</b>	<b>1,714</b>
Acquisitions											-234	-744
Discontinued operations											-19	448
Dividend – shareholders of the Parent Company											-813	-678
<b>Total net cash flow</b>											<b>-101</b>	<b>740</b>

## Consolidated cash-flow statements

SEK M	Note	2013	2012
<i>Operating activities</i>			
Operating profit including participations in joint ventures/associated companies		2,558	2,462
<i>Adjustment for items not included in cash flow:</i>			
Depreciation of property, plant and equipment	14	611	628
Amortization of intangible assets	15	71	48
Impairment of property, plant and equipment	14	31	22
Impairment of intangible assets	15	0	0
Participations in joint ventures/associated companies and other non-cash items		-357	-122
Cash-flow effect of items affecting comparability		29	0
Operating activities in discontinued operations		-39	310
		<b>2 904</b>	<b>3,348</b>
Interest received and other financial items		32	40
Interest paid and other financial items		-290	-190
Interest and other financial items in discontinued operations		-	-35
Tax paid		-587	-460
Tax paid in discontinued operations		-	-34
<b>Cash flow from operating activities before changes in working capital</b>		<b>2,059</b>	<b>2,669</b>
<i>Cash flow from changes in working capital:</i>			
Change in inventories		100	322
Change in operating receivables		-351	-488
Change in operating liabilities		27	262
Change in working capital in discontinued operations		10	-400
Change in items affecting comparability		0	46
<b>Cash flow from operating activities</b>		<b>1,845</b>	<b>2,411</b>
<i>Cash flow from investing activities</i>			
Acquisitions	35	-234	-744
Discontinued operations		10	328
Capital expenditures for property, plant and equipment	14	-852	-847
Capital expenditures for intangible assets	15	-70	-63
Capital expenditures in non-current assets in discontinued operations		-	-134
Sale of non-current assets		13	59
Sale of non-current assets in discontinued operations		-	24
<b>Cash flow from investing activities</b>		<b>-1,133</b>	<b>-1,377</b>
<i>Financing activities</i>			
Change in interest-bearing investments		818	-125
Change in interest-bearing liabilities		-448	-273
Dividend – shareholders of the Parent Company		-813	-678
Dividend – non-controlling interests		0	-5
<b>Cash flow from financing activities</b>		<b>-443</b>	<b>-1,081</b>
<b>Cash flow for the year</b>		<b>269</b>	<b>-47</b>
<i>Cash and cash equivalents:</i>			
Opening balance, January 1		660	753
Exchange-rate differences		-36	-46
<b>Cash and cash equivalents, December 31</b>		<b>893</b>	<b>660</b>

## Note 1

### General information

The Parent Company, Trelleborg AB (publ) is a limited liability company with its registered office in Trelleborg, Sweden. The Parent Company is listed on NASDAQ OMX Stockholm. The Board of Directors resolved to adopt these consolidated financial statements for publication on February 13, 2014.

### Summary of important accounting policies

The most important accounting policies applied in the preparation of these consolidated financial statements are described below. These policies were applied consistently for all years presented, unless otherwise stated.

### Basis of preparation

The Trelleborg Group's financial statements have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Corporate Groups and the International Financial Reporting Standards (IFRS) and IFRIC interpretations, as approved by the EU. The Group's financial statements have been prepared in accordance with the cost method, with the exception of certain financial instruments that were measured at fair value.

The Parent Company applies the same accounting policies as the Group, except in the instances stated below under "Parent Company's accounting policies." The differences arising between the Parent Company and the Group's accounting policies are attributable to limitations on the ability to apply IFRS in the Parent Company, primarily as a result of the Swedish Annual Accounts Act.

### New and amended standards applied by the Group

The standards that the Group applies for the first time to the fiscal year commencing January 1, 2013 and that have a material impact on the consolidated financial statements are presented below.

IAS 1 Presentation of Financial Statements has been amended regarding other comprehensive income. The primary amendment is the requirement to group items recognized in other comprehensive income based on whether or not they can be reclassified to profit and loss in the future. The amendment has meant the addition of new row headings in the statement of other comprehensive income.

IFRS 13 Fair Value Measurement aims to reduce complexity by providing a more precise definition of fair value and make disclosure requirements more standardized. In the Group's opinion, the standard only entails expanded supplementary disclosures. Amendments to IAS 36, Impairment of Assets, relating to recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of cash-generating units which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Group until January 1, 2014. However, the Group has decided to early adopt the amendment as of January 1, 2013.

IAS 19 Employee Benefits has been amended. The amendment entails that the corridor method is no longer applied, all actuarial gains and losses are now recognized in other comprehensive income immediately when they arise, and costs for services rendered in previous years are recognized immediately. Under the new standard, a net income/expense item is recognized instead of interest expenses and expected return on plan assets by applying the discount rate, as used to discount the pension obligations, included in the Group's pension liabilities. Vesting costs for the year and net income/expense are recognized in profit and loss. The amended standard came into effect on January 1, 2013, with retrospective application. The effect on the financial statements is presented in Note 31.

### New standards and interpretations that have not yet been applied by the Group

A number of new standards, amendments and interpretations of existing standards that apply to the fiscal year commencing after January 1, 2013 were not applied by the Group in the preparation of the consolidated financial statements. However, none of these standards, amendments or interpretations of existing standards are expected to have any material effect on the Group apart from those presented below.

–IFRS 10 Consolidated Financial Statements is based on already existing principles defining control as the decisive factor in determining whether a company is to be included in the consolidated accounts. The standard provides further guidance that can be of assistance when it is difficult to determine control. The Group intends to apply IFRS 10 for the fiscal year commencing January 1, 2014 and has not yet evaluated the full effect on the financial statements

–IFRS 11 Joint Arrangements focuses on the rights and obligations of parties in a joint arrangement, rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. A joint operation arises when a joint operator has direct rights to the assets and obligations for the liabilities in a joint arrangement. In such an arrangement, the recognition of assets, liabilities, revenue and expenses is based on the owner's share of these. A joint venture is a joint arrangement whereby the parties that exercise a joint controlling influence over an arrangement have rights to the net assets in the

arrangement. Joint ventures are recognized in accordance with the equity method. The standard will not have any effect on the financial statements, since existing joint ventures are already recognized in accordance with the equity method.

–IFRS 12 Disclosures of Interests in Other Entities includes the disclosure requirements for subsidiaries, joint arrangements, associated companies and unconsolidated structured entities. The Group intends to apply IFRS 12 for the fiscal year commencing January 1, 2014 and the standard will entail expanded disclosure requirements.

–IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and liabilities. The Group intends to evaluate the effects of the various phases for IFRS 9 once they have been completed by the IASB.

–IFRIC 21 Levies clarifies the recognition of an obligation to pay a levy that is not income tax. The interpretation clarifies what the obligating event that triggers the payment of the levy is, and when it is to thus be recognized. The Group is not currently exposed to any significant levies that are not income taxes and, accordingly, this interpretation does not have any material impact on the Group. The Group intends to apply IFRIC 21 for the fiscal year commencing January 1, 2014 and has not yet evaluated the full effect on the financial statements.

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on the Group.

### Consolidated accounts

#### Group

The consolidated accounts include the Parent Company and all subsidiaries and joint venture/associated companies.

#### Subsidiaries

Subsidiaries are all companies (including special purpose entities, SPEs) in which the Group has the right to formulate financial and operating strategies in a manner commonly accompanying participations amounting to more than half of the voting rights. The occurrence and effect of potential voting rights that are currently available to utilize or convert are taken into account in the assessment of whether the Group exercises controlling influence over another company. The Group also determines that control exists despite not having a participation exceeding half of the voting rights but for which it nonetheless is able to govern financial and operating strategies in the company.

Subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the control ceases.

The purchase method is used to recognize the Group's business combinations. The consideration for the acquisition of a subsidiary comprises the fair value of transferred assets, liabilities that the Group assumes from previous owners of the acquired company and the shares issued by the Group. The consideration also includes the fair value of all assets or liabilities that result from an agreement covering a contingent consideration. Identifiable acquired assets and assumed liabilities in a business combination are initially measured at fair value on the date of acquisition. For each acquisition, that is, on an acquisition-by-acquisition basis, the Group determines whether non-controlling interest in the acquired company is to be recognized at fair value or at the shareholding's proportional share in the carrying amount of the acquired company's identifiable net assets.

Acquisition-related costs are expensed as they arise.

If the business combination is completed in several steps, the previous equity interests in the acquired company are measured at fair value at the date of acquisition. Any gain or loss arising is recognized in profit or loss.

Each contingent consideration to be transferred by the Group is recognized at fair value at the date of acquisition. Subsequent changes to the fair value of a contingent consideration classed as an asset or liability are recognized in line with IAS 39, either in profit and loss or in other comprehensive income. Contingent considerations classed as equity are not remeasured and the subsequent settlement is recognized in equity.

Goodwill is initially measured as the amount by which the total purchase consideration and fair value of non-controlling interests exceeds the value of identifiable acquired assets and assumed liabilities. If the purchase consideration is lower than the fair value of the acquired company's net assets, the difference is recognized directly in profit and loss.

Intra-Group transactions, balance-sheet items and income and costs for intra-Group transactions are eliminated. Gains and losses resulting from intra-Group transactions and which are recognized in assets are also eliminated. Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's policies.

When the Group no longer holds a controlling influence, each remaining holding is measured at fair value at the date on which the Group ceased to hold the controlling influence. The change in the carrying amount is recognized in profit and loss. The fair value is used as the initial carrying amount and comprises the basis for the future recog-

1 nition of the remaining holdings as an associated company, joint venture  
2 or financial asset. All amounts pertaining to the divested unit that were  
3 previously recognized in other comprehensive income are recognized as  
4 if the Group had directly divested the attributable assets or liabilities.  
5 This may mean that amounts previously recognized in other comprehensive  
6 income are reclassified to profit and loss.

#### 7 **Associated companies**

8 Associated companies are companies in which the Parent Company  
9 directly or indirectly has a significant, but not controlling, influence, generally  
10 corresponding to between 20 and 50 percent of the voting rights. Investments  
11 in associated companies are recognized in accordance with the equity method  
12 and are initially recognized at cost. The Group's recognized value of the holdings  
13 in associated companies includes the goodwill identified in conjunction with the  
14 acquisition, net after any recognition of impairment losses. The associated  
15 companies essentially carry out the same operations as the Group's other business  
16 activities and, accordingly, the share of profit in these companies is recognized  
17 in operating profit.

18 The Group's share in the post-acquisition results of an associated  
19 company is recognized in profit and loss in the item "Share of profit or  
20 loss in associated companies," and is included in operating income. Accumulated  
21 post-acquisition changes are recognized as changes in the carrying amount of the  
22 investment. When the Group's share in the losses of an associated company amount  
23 to, or exceed, the Group's investment in the associated company, including any  
24 unsecured receivables, the Group does not recognize further losses unless  
25 obligations have been incurred or payments made on behalf of the associated  
26 company. Unrealized gains on transactions between the Group and its associated  
27 companies are eliminated in proportion to the Group's participation in the  
28 associated company. Unrealized losses are also eliminated, unless the transaction  
29 provides evidence of an impairment of the transferred asset.

#### 30 **Joint ventures**

31 A joint venture pertains to an agreement-based relationship in which  
32 two or more parties jointly conduct a financial operation and have a joint  
33 controlling influence over the business. Investments in joint ventures are  
34 recognized in accordance with the equity method, similar to investments in  
35 associated companies. Trelleborg's share of profit before tax in the joint venture  
36 TrelleborgVibracoustic is recognized on the line "Participations in TrelleborgVibracoustic,"  
37 which is included in operating profit. Trelleborg's share of income tax attributable  
38 to TrelleborgVibracoustic is recognized on the line "Tax attributable to TrelleborgVibracoustic."

#### 39 **Transactions with non-controlling interests**

40 Transactions with non-controlling interests are treated as transactions with  
41 the Group's shareholders. This means that, in connection with an acquisition  
42 from a non-controlling interest, the difference between the purchase consideration  
43 paid and the actual share acquired of the carrying amount of the subsidiary's  
44 net assets is recognized in equity. Gains and losses on divestments to non-controlling  
45 interests are also recognized in equity.

#### 46 **Discontinuing or divested operations**

47 Discontinuing or divested operations comprise significant parts of operations  
48 and assets that the Group has determined to fully, or almost fully, discontinue  
49 or divest through disposal or distribution. These assets are recognized at the lower  
50 of the carrying amount and fair value, less selling expenses. These non-current  
51 assets are not depreciated from the date of reclassification.

#### 52 **Translation of foreign currencies**

##### 53 *Functional currency and reporting currency*

54 Items included in the financial statements of the various entities of the Group  
55 are valued in the currency used in the primary economic environment of each  
56 company's operations (functional currency). Swedish kronor (SEK), which is the  
57 Parent Company's functional currency and presentation currency, is utilized in the  
58 Group accounts.

##### 59 *Transactions and balance-sheet items*

Transactions in foreign currency are translated into the functional currency  
in accordance with the exchange rate prevailing on the transaction date. Exchange-  
rate gains and losses resulting from settlement of such transactions and from the  
translation at the closing rate of monetary assets and liabilities in foreign currency  
are recognized in profit and loss. An exception is made when hedging transactions  
meet the requirements for cash-flow hedge or net-investments hedge whereby  
gains and losses are recognized directly against other comprehensive income  
after adjustment for deferred taxes. Reversal to profit and loss takes place at the  
same time as the hedged transaction impacts profit and loss.

##### *Subsidiaries*

The earnings and financial position of the Group subsidiaries and associated  
companies (none of which use a high-inflation currency) are pre-

pared in the functional currency of each company. In the consolidated accounts,  
the earnings and financial position of foreign subsidiaries are translated into  
Swedish kronor (SEK) in accordance with the following: Income and expenses  
in the income statements of subsidiaries are translated at the average exchange  
rate for the applicable year, while assets and liabilities in the balance sheet  
are translated at the closing rate. Exchange-rate differences arising from translation  
are recognized as a separate item in other comprehensive income.

Translation differences arising on financial instruments, which are held for  
hedging of net assets in foreign subsidiaries, are also entered as a separate item  
in other comprehensive income. On divestment, the accumulated translation  
differences attributable to the divested unit, previously recognized in other  
comprehensive income, are realized in the consolidated income statement in the  
same period as the gain or loss on the divestment.

Goodwill and adjustments of fair value arising in connection with the  
acquisition of foreign operations are treated as assets and liabilities of these  
operations, and are translated at the closing rate.

#### 60 **Income tax**

Income tax in the income statement includes both current tax and deferred  
tax. Income tax is recognized in profit and loss except when an underlying  
transaction is recognized directly against equity or total comprehensive income,  
in which case the related tax effect is also recognized in equity or total  
comprehensive income. Current tax is tax payable or recoverable for the current  
year. This also includes adjustment for current tax attributable to prior periods.  
Deferred tax is recognized in its entirety and calculated using the liability method  
on all temporary differences arising between the tax base of assets and liabilities  
and their carrying amounts in the consolidated accounts. Deferred tax is  
measured at the nominal amount and calculated by applying the tax rates and  
tax rules enacted or announced at the closing date. Temporary differences  
arise in business combinations on the differences between the consolidated  
value of assets and liabilities and their tax bases.

Temporary differences that arise on initial recognition of an asset or liability,  
and which are not attributable to a business combination and have not affected  
recognized or taxable earnings, do not entail a deferred tax asset or tax liability  
in the balance sheet. Temporary differences are not recognized for investments  
in subsidiaries and joint venture/associated companies, as the Group can control  
the date when these temporary differences are reversed and when it is unlikely  
that they will be reversed in the foreseeable future.

Deferred tax assets are recognized insofar as it is probable that tax surpluses  
will be available in the future against which temporary differences can be  
utilized.

#### 61 **Segment reporting**

Operating segments are reported in a manner consistent with the internal  
reports presented to the chief operating decision maker. The chief operating  
decision maker is the function responsible for the allocation of resources and  
the assessment of the segments' earnings. For the Group, this function has  
been identified as the President. The division of operating segments corresponds  
to the Group's business areas. For a description of the various segments, see  
pages 12-21.

The Group is divided into five business areas: Trelleborg Coated Systems,  
Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg  
Sealing Solutions and Trelleborg Wheel Systems.

It also includes Group items defined as central staff functions and two  
operations, the first of which is Group-wide and the second of which is in  
build-up and integration phase.

Segment reporting for the business areas comprises operating revenues  
and expenses and capital employed. Capital employed encompasses all property,  
plant and equipment, intangible assets and investments in associated companies,  
plan assets, inventories and operating receivables, less operating liabilities  
including pension liabilities.

The business areas are charged with Group-wide expenses amounting to  
0.4 percent of external sales, which does not affect recognized cash flows.

In the presentation of the Group's geographical markets, the operations  
have been subdivided into the Group's key geographical markets, which are  
Western Europe, North America and Rest of the World.

Net sales are recognized according to customer location, while assets and  
capital expenditures are recognized according to the actual physical location  
of these assets.

#### 62 **Other accounting and valuation policies**

Non-current assets and non-current liabilities comprise amounts expected to  
be recovered or paid more than 12 months from the closing date. Current  
assets and current liabilities comprise amounts expected to be recovered or  
paid within 12 months of the closing date. Assets and liabilities are measured  
at cost, unless otherwise indicated.

#### 63 **Revenue recognition**

Revenue comprises the fair value of the amount that has been received,  
or will be received, for goods and services sold in the Group's



operating activities, less VAT and discounts, and after elimination of intra-Group sales. Revenue is recognized as follows:

#### **Sales of goods**

Revenue from sale of goods is recognized during the period in which the product is delivered and when all significant risks and rewards related to ownership have been transferred to the buyer. Accordingly, the Group no longer has any involvement in the goods that is ownership-related, nor does it exercise any real control over the goods when revenue is recognized. Net sales are recognized after deduction of VAT and are adjusted for any discounts, as well as exchange-rate differences in connection with sales conducted in foreign currencies.

#### **Contract and service assignments**

Revenue recognition is conducted using the percentage-of-completion method. Revenue is recognized on the basis of the stage of completion whereby it is probable that the company will obtain the financial benefits related to the assignment, and when a reliable calculation can be made. The stage of completion is determined on the basis of costs incurred in relation to total calculated costs. Anticipated losses are expensed immediately.

#### **Royalty revenue**

Royalty revenue is recognized on an accruals basis in accordance with the financial conditions of the relevant agreements.

#### **Interest income**

Interest income is recognized on a time-proportion basis using the effective interest method.

#### **Dividend income**

Dividend income is recognized when the right to receive payment has been determined.

#### **Other operating revenue and expenses**

Other operating revenue and expenses include external rental revenue, capital gains from the sale and scrapping of property, plant, equipment and tools, and also gains or losses on sales of associated companies and subsidiaries.

#### **Borrowing costs**

The Group capitalizes borrowing costs that are directly attributable to acquisitions, construction or the production of a qualifying asset requiring a substantial period of time to complete for use or sale, as a portion of the cost of that asset. Other borrowing costs are expensed in the period in which they occur. No borrowing costs were capitalized in 2013.

Transaction costs for loans raised are recognized over the duration of the loan applying the effective interest method.

#### **Intangible assets**

##### *Goodwill*

The amount by which the transferred consideration, any non-controlling interests and the fair value of previous shareholdings on the date of transfer exceeds the fair value of the Group's share of identifiable acquired net assets is recognized as goodwill. Goodwill on acquisitions of subsidiaries is recognized as an intangible asset. Goodwill on acquisition of joint venture/associated companies is included in the value of the investment in the associated company and is tested, taking into account possible impairment losses, as a portion of the value of the total investment. Goodwill that is recognized separately is tested annually to identify possible impairment losses and is measured at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains or losses on the disposal of a unit include the remaining carrying amount of the goodwill attributable to the disposed unit. In the impairment tests, goodwill is allocated to cash-generating units. The allocation is made between the cash-generating units or groups of cash-generating units that are expected to benefit from the acquisition of operations giving rise to the goodwill item. These cash-generating units comprise the Group's investments in each primary segment.

##### *Research and development*

Expenditure for development and research is expensed when it arises. Expenditure for development and testing of new or significantly improved materials, products, processes or systems is capitalized once the following criteria have been fulfilled:

- it is technically feasible to complete the intangible asset such that it can be utilized or sold,
- management intends to complete the intangible asset and utilize or sell it,
- there are prerequisites in place to utilize or sell the intangible asset,
- it can be demonstrated that the intangible asset will generate probable, future economic benefits,
- adequate technical, economic and other resources are available to complete the development and to utilize or sell the intangible asset, and
- the expenditure associated with the intangible asset during its development can be calculated in a reliable manner.

Other development expenditure is expensed as incurred. Development

expenditure previously expensed is not capitalized in subsequent periods. Capitalized development expenditure is recognized as intangible assets. Capitalized development expenditure has a finite useful life and is amortized straight-line from the point at which commercial production of the product commences. Amortization is based on the anticipated useful life, normally a period of five years.

##### *Other intangible assets*

Other intangible assets include externally acquired assets, such as capitalized IT expenditure, patents, brands and licenses. Assets with a finite useful life are measured at cost less accumulated amortization and impairment losses. Subsequent expenditure for an intangible asset is added at carrying amount or recognized as a separate asset, depending on which is suitable, only when it is probable that future economic benefits associated with the asset will accrue to the Group and the cost of the asset can be reliably measured. Other expenditure is expensed as incurred. Other intangible assets are amortized over their useful life, normally five to ten years.

#### **Property, Plant and Equipment (PPE)**

PPE primarily encompasses plants and offices. PPE is measured at cost less accumulated depreciation and, where applicable, impairment losses. Cost includes expenses directly attributable to the acquisition of the asset. Cost may also include transfers from equity of gains and losses from cash-flow hedges relating to purchases in foreign currency, if these meet the requirements for hedge accounting.

Depreciation is applied until the estimated residual value is reached. The residual value and useful life of the assets are assessed on each closing date, and, if necessary, are adjusted.

The carrying amount of an asset is immediately impaired to the recoverable value if the carrying amount of an asset exceeds its estimated recoverable value. See the section relating to impairment losses.

Depreciation is based on cost and is allocated on a straight-line basis over the asset's estimated useful life.

The following depreciation rates apply:

Land	Not depreciated
Buildings	1.5-6 percent
Machinery	5-33 percent
Tools and molds	33 percent
Office equipment	10-20 percent

Subsequent expenditure for a PPE is added to the carrying amount or recognized as a separate asset, depending on which is suitable, only when it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured in a reliable manner. The carrying amount of the replaced portion is derecognized from the balance sheet. All other forms of repairs and maintenance are expensed as incurred.

Gains and losses on disposals are determined by comparing the sales proceeds and the carrying amount, and are recognized in profit and loss as other operating income and other operating costs, respectively.

##### *Leasing*

Lease contracts for non-current assets are classified as either finance leases or operating leases. Finance leases apply when the financial risks and rewards related to ownership are, for all practical purposes, transferred to the Group. At the inception of the lease period, financial leases are recognized on the basis of the leased asset's fair value, or at the present value of the lease payments, whichever is lower. The leased asset is recognized as a non-current asset. Each lease payment is divided into amortization of the liability and financial costs to achieve a fixed interest rate for the recognized liability. The equivalent payment undertaking, less financial costs, is included as an interest-bearing liability. The interest portion of the financial costs is recognized in profit and loss over the lease term, so that each reporting period is charged with an amount equivalent to a fixed interest rate for the liability recognized for each period. Non-current assets held under finance lease agreements are depreciated in accordance with the same principles applicable to other assets of the same type, according to plan, or over the leasing period if it is shorter and the right of ownership is not expected to be transferred at the end of the leasing period. Lease agreements not classified as finance leases represent operating leases. Lease payments for operating leases are expensed as operating costs straight-line over the term of the lease.

##### **Impairment losses on non-financial assets**

Assets with an indefinite useful life, for example goodwill, are not amortized but are tested annually for impairment. Assets that are subject to amortization/ depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment losses are recognized in the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the highest of fair value less selling costs and value in use. Value in use refers to the total present value of the estimated future cash flows and the calculated residual value at the end of

the useful life. In calculating value in use, future cash flows are discounted at an interest rate that takes into account the market's assessment of risk-free interest and risk related to the specific asset, known as WACC (Weighted Average Cost of Capital). The Group bases the calculation on achieved earnings, forecasts, business plans, financial forecasts and market data. For assets dependent on other assets generating cash flow, the recoverable amount is calculated for the smallest cash-generating unit to which the asset belongs. The cash-generating units comprise the Group's operating segments. Impairment losses are reversed if there is a change in the recoverable amount, with the exception of impairment losses on goodwill.

#### **Fixed assets held for sale**

Fixed assets (or disposal groups) are classified as held for sale when their carrying amounts will primarily be recovered on the basis of a sales transaction, and when a sale is deemed to be highly probable. These assets are recognized at the lower of carrying amount or fair value, less selling expenses, if their carrying amounts will primarily be recovered on the basis of a sales transaction, and not through continuous use.

#### **Financial instruments**

Financial instruments recognized in the balance sheet include the following assets and liabilities: cash and cash equivalents, securities, other financial receivables, accounts receivable, accounts payable, loans and derivatives.

A financial asset or liability is initially recognized in the balance sheet when the company becomes a party to the contractual conditions of the instrument.

A financial asset is derecognized from the balance sheet when all benefits and risks associated with ownership have been transferred. A financial liability is derecognized from the balance sheet when the obligations of the contract have been met, or otherwise extinguished.

Financial instruments are initially measured at fair value and, subsequently, at fair value or accumulated amortized cost, depending on their classification. All financial derivatives are measured at fair value. The purchase and sale of financial assets is recognized on the transaction date, which is the date the Group undertakes to purchase or sell the asset. On each closing date, the Group tests whether any financial asset or group of financial assets has been impaired.

#### *Classification of financial instruments*

The Group classifies its financial instruments into the following categories: financial assets or liabilities at fair value through profit and loss, loans and receivables and financial liabilities measured at amortized cost.

The classification depends on the purpose for which the instrument was acquired. The classification is determined on the initial recognition of the instrument and is reassessed on each subsequent reporting occasion.

#### *Calculation of fair value*

The fair value of listed financial instruments is based on the appropriate market quotation on the closing date. For unlisted financial instruments, or if the market of a certain financial asset is not active, the value is determined by applying recognized measurement techniques, whereby the Group makes assumptions that are based on the market conditions prevailing on the closing date. Market rates form the basis for the calculation of fair value of long-term loans. For other financial instruments with no specified market value, the fair value is deemed to correspond to the carrying amount.

#### *Receivables and liabilities in foreign currencies*

Receivables and liabilities in foreign currencies are measured at the exchange rate prevailing on the closing date. Exchange-rate differences on operating receivables and operating liabilities are included in operating profit or loss, while exchange-rate differences on financial receivables and liabilities are classified as financial items.

#### *Financial assets at fair value through profit and loss*

This category comprises both financial assets held for trading and assets designated in this category from the date of the investment that is to be measured at fair value through profit and loss. The Group's assets in this category comprise non-current and current securities investments and financial derivatives not identified as hedges. Assets in this category are classified as current assets if held for trading or expected to be realized within 12 months from the closing date. Financial assets at fair value through profit and loss are measured at fair value, both initially and subsequent to the date of acquisition, while associated transaction costs are recognized in profit and loss. Gains and losses attributable to changes in fair value are recognized in profit and loss as a financial item in the period in which they occur.

#### *Financial liabilities at fair value through profit and loss*

This category comprises derivatives with a negative fair value that are not used for hedge accounting and financial liabilities held for trading. The liabilities are measured continuously at fair value and the change

in value is recognized through profit and loss as a financial item. Only derivatives were recognized in this category during the year.

#### *Loans and receivables*

Loans and receivables are financial assets that are not derivatives with fixed or determinable payments, and which are not quoted in an active market.

Loan receivables and accounts receivable are initially measured at fair value and, subsequently, at amortized cost by applying the effective interest method, less any provisions for impairment.

A bad debt provision is established when there is objective evidence that the Group will not be able to secure all amounts maturing in accordance with the original conditions of the receivable. Significant financial difficulties experienced by a debtor, the probability of the debtor entering into bankruptcy or undergoing financial reconstruction and payments not being made or being made late (fallen due by more than 30 days) are all considered to be indications that a bad debt provision may be required.

The size of the provision comprises the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted by the receivable's effective interest rate. The carrying amount of the asset is reduced by using a value depletion account and the loss is recognized under the item "Selling expenses". When a receivable cannot be collected, it is eliminated against the value depletion account for receivables. The reversal of amounts that were previously eliminated is credited under the item "Selling expenses" in the income statement.

#### *Cash and cash equivalents*

Cash and cash equivalents consist of cash balances and balances with banks and other institutes maturing within three months from the time of acquisition, as well as short-term investments with a maturity, from the time of acquisition, of less than three months, and which are exposed to a minimal risk of fluctuations in value.

#### *Borrowings*

Borrowings are initially recognized at fair value, net, after transaction costs and, subsequently, at amortized cost. Any difference between the amount received and the amount to be repaid is recognized in profit and loss over the loan period by applying the effective interest method. Borrowings are classified as interest-bearing non-current or current liabilities in the balance sheet.

#### *Accounts payable*

Accounts payable are initially recognized at fair value and, thereafter, at accrued cost using the effective interest method.

#### *Offsetting of financial instruments*

Financial assets and liabilities are offset and recognized at net amount in the balance sheet only when a legal right exists to offset the recognized amount and there is an intention to settle the amount net, or simultaneously realize the asset and settle the liability.

#### *Impairment of financial assets*

Assets carried at amortized cost: At the end of each reporting period, the Group tests whether there is objective evidence to recognize impairment losses on a financial asset or group of financial assets. Impairment losses will be recognized on a financial asset or group of financial assets only if there is objective evidence of an impairment requirement resulting from the occurrence of one or more events after the asset was initially recognized (a "loss event") and if this event (or events) has (have) an impact on estimated future cash flows for the financial assets or group of financial assets that can be estimated reliably.

#### *Financial derivatives*

The Group utilizes derivatives to cover the risk for exchange-rate fluctuations and to hedge its exposure to interest-rate risks. The Group also uses derivatives for commercial trade within the framework of the mandates determined by the Board. Holdings of financial derivatives include interest-rate and currency swaps, FRAs and foreign-exchange forwards, and interest-rate and currency options.

Derivatives are recognized in the balance sheet from the contract date and are measured at fair value, both initially and in subsequent remeasurement. The method for recognizing the gains or losses arising in connection with remeasurement depends on whether or not the derivatives have been identified as a hedging instrument and whether this is a hedge of fair value, cash flow or net investment.

Derivatives not identified as hedging instruments are classified in the balance sheet as financial assets and liabilities measured at fair value through profit and loss. Gains and losses resulting from changes in fair value are recognized as financial items in profit and loss in the period in which they occur.

#### *Hedge accounting*

The Group applies hedge accounting for financial instruments intended to hedge the following financial risks: future commercial cash flows – internal and external – in foreign currency, cash flows in future interest

payments on the Group's borrowing and net investments in foreign operations.

When entering into the transaction, the relationship between the hedging instrument and the hedged item or transaction is documented, as is the objective of risk management and the strategy according to which various hedging measures are implemented. Both at the inception of the hedging transaction and on an ongoing basis, the Group also documents its assessment as to whether or not the derivatives used for the hedging transaction are efficient in terms of offsetting changes in the fair value of the hedged items or in terms of the cash flows pertaining to them.

Hedges are designed so that they can be expected to be effective. Changes in the fair value of such derivatives not meeting the requirements for hedge accounting are recognized directly in profit and loss.

#### *Hedging of future commercial cash flows in foreign currencies*

To hedge future forecast and contracted commercial cash flows, both within the Group and externally, the Group secures foreign-exchange forward contracts and currency option contracts. The effective portion of changes in the fair value of hedging instruments is recognized in other comprehensive income.

The gain or loss attributable to any ineffective portion is recognized directly in operating profit in profit and loss. Accumulated amounts in equity are transferred back to profit and loss in the periods in which the hedged item affects profit, such as when a forecast external sale takes place.

When a hedging instrument expires or is sold, or when the hedge no longer meets the requirements for hedge accounting, accumulated gains or losses remain in equity and are recognized as income/loss at the same time as the forecast transaction is finally recognized in profit and loss. If a forecast transaction is no longer expected to take place, the accumulated gain or loss recognized in equity is immediately transferred to profit and loss.

#### *Hedging of cash flows in future interest payments on Group borrowing*

The Group secures interest-rate derivatives to ensure the required interest rate on the Group's net borrowings. Amounts to be paid or received in relation to interest-rate derivatives are recognized on an ongoing basis as interest income or interest expense. Changes in the fair value of hedging instruments are recognized in equity until the maturity date. Any ineffective portion is recognized directly in profit and loss. If the loan, and consequently, future interest payments, ceases to exist, the accumulated gain or loss recognized in equity is transferred immediately to profit and loss.

#### *Hedging of net investments in foreign subsidiaries*

The Group has borrowings or foreign-exchange forward contracts in foreign currencies to hedge investments in foreign subsidiaries. These borrowings and contracts are measured at the closing rate. In the consolidated balance sheet, the borrowings are measured at the closing rate and exchange-rate differences are recognized directly against equity, after adjustment for the tax portion.

The Group has borrowings in foreign currency with certain subsidiaries where the loans represent a permanent part of the Parent Company's financing of the subsidiary. These loans are hedged for foreign-exchange risks in the same way as investments in foreign subsidiaries are hedged. Loans and hedges are recognized at the closing rate, with exchange-rate differences on these loans and hedges being recognized directly in equity. Any ineffective portion of the exchange-rate difference is recognized directly in profit and loss as a financial item.

Accumulated gains and losses in equity are recognized in profit and loss when the foreign operations are disposed of.

Realized exchange-rate differences on borrowings and forward contracts are recognized in the cash-flow statement under "Financing activities".

#### **Inventories**

Inventories are measured at the lower of cost and net realizable value on the closing date. Cost is calculated according to the first-in/first-out (FIFO) principle. For finished products and work in progress, cost consists of raw materials, direct personnel costs, other direct costs and related indirect production costs. Normal capacity utilization is used in the measurement of inventories. Borrowing costs are not included. The net realizable value is calculated as the estimated selling price less applicable variable sales expenses. Deductions are made for internal profits generated through intra-Group sales.

#### **Equity**

Costs arising in connection with new share issues and the repurchase of treasury shares are recognized directly in equity.

The redemption of convertibles and the exercise of share warrants entail new shares being issued while the exercise of call options may entail the utilization of treasury shares.

The proceeds from the sale of treasury shares are recognized directly in equity. Holdings of treasury shares reduce profit brought forward. When treasury shares are cancelled, the share capital is reduced by an

amount corresponding to the par value of the shares and accumulated profit or loss is increased by the corresponding amount.

#### **Provisions**

Provisions are recognized when the Group has a legal or constructive obligation resulting from past events and it is probable that payment will be required to meet the obligation, and that the amount can be calculated in a reliable manner. The provision for restructuring primarily covers costs relating to severance pay and other costs affecting cash flow arising in conjunction with restructuring the Group's operations.

Provisions are established when a detailed, formal plan for measures to be undertaken has been established and valid expectations have been raised by those who will be affected by such measures. No provisions are made for future operating losses. Provisions are made for environmental activities related to earlier operations when it is probable that a payment liability will arise and when the amount can be estimated with reasonable precision. Provisions are divided into non-current and current provisions.

#### **Government grants**

Government grants are recognized at fair value when it is probable that the terms associated with the grants will be met and that the grants will be received. Government grants relating to the acquisition of assets reduces the cost of the assets. Government grants providing compensation for expenses are recognized systematically over the same period as the expenses to be offset.

#### **Employee benefits**

##### *Pension obligations*

Within the Group, there are a number of defined contribution pension plans and defined benefit pension plans, of which a small number have plan assets in foundations or similar.

A defined contribution pension plan is a plan in which the Group pays fixed fees to a separate legal entity. The Group does not have any legal or informal obligations to pay additional contributions if this legal entity has insufficient assets with which to make all pension payments to employees that are associated with the current or past service of employees. In a defined benefit pension plan, the amount of the pension benefit an employee will receive after retirement is based on factors such as age, period of service and salary.

Pension plans are normally financed through contributions to a separate legal entity from each Group company and from the employees.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation on the closing date, less the fair value of plan assets.

For defined benefit plans, the liability is calculated using the Projected Unit Credit Method, which allocates the cost over the employee's working life. The calculations are undertaken by actuaries, who also annually reassess the value of the pension obligations. These assumptions are based on the present value of future pension payments and are calculated using a discount rate corresponding to the interest on first-class corporate bonds or government bonds with a remaining maturity largely matching that of the current pension obligations. For funded pension plans, the fair value of plan assets reduces the calculated pension obligation. Funded plans with net assets, i.e. where the assets exceed the obligations, are recognized as plan assets.

Actuarial gains and losses as a result of experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise.

Costs for services rendered in previous years are recognized directly in profit and loss.

Some of the ITP plans in Sweden are financed through insurance premiums paid to Alecta. This is a defined benefit plan and encompasses several employers. As Trelleborg did not have access to information to enable it to recognize this plan as a defined benefit plan, it was, consequently, recognized as a defined contribution plan.

The Group's pension payments for defined contribution plans are expensed in all functions in profit and loss in the period in which the employees carried out the service to which the contribution refers. Prepaid contributions are recognized as an asset insofar as cash repayments or reductions of future payments can benefit the Group.

##### *Other post-employment benefits*

Certain Group companies, primarily in the U.S., provide post-retirement medical care benefits for their employees. Entitlement to these benefits normally requires that the employee remains in service until retirement and works for the company for a specific number of years. The anticipated cost of these benefits is recognized over the period of service through the application of an accounting method similar to that used for defined benefit pension plans. Actuarial gains and losses are recognized over the expected average remaining working life of the employees concerned. These obligations are assessed by qualified actuaries.

##### *Variable salaries*

Provisions for variable salaries are expensed on an ongoing basis in accordance with the financial implications of the agreement.

**Remuneration on termination**

Remuneration is normally payable if employment is terminated prior to normal retirement age, or when an employee accepts voluntary termination in exchange for remuneration. The Group recognizes severance pay when a detailed formal plan has been presented.

**Related-party transactions**

The Group's transactions with related parties pertain to purchases and sales to joint venture/associated companies. All transactions are priced in accordance with market terms and prices; refer to Note 7 for further information. In addition, compensation is paid to the Board of Directors and senior executives; refer to Note 3 for further information.

**Critical accounting estimates and judgments**

Company management and the Board of Directors make estimates and assumptions about the future. These estimates and assumptions impact recognized assets and liabilities, as well as revenue and expenses and other disclosures, including contingent liabilities. These estimates are based on historical experience and on various assumptions considered reasonable under the prevailing conditions. The conclusions reached in this manner form the basis for decisions concerning the carrying amounts of assets and liabilities where these cannot be determined by means of other information. The actual outcome may diverge from these estimates if other assumptions are made, or other conditions arise. Areas involving estimates and assumptions that may have a significant effect on the Group's earnings and financial position include:

- Impairment testing of goodwill and other assets: The impairment requirement for goodwill implies that goodwill is tested annually in conjunction with the year-end, or as soon as changes indicate that a risk of impairment exists, such as when the business climate changes or a decision is made on the divestment or closure of an operation. Impairment losses are recognized if the carrying amount exceeds the estimated value in use. See also Note 15. Goodwill represents approximately 58 percent of the Group's equity.
- Other PPE and intangible assets are recognized at cost, less accumulated depreciation, amortization and any impairments. The Group has no intangible assets, other than goodwill, with a non-finite useful life. Amortization and depreciation take place over the estimated useful life, down to the assessed residual value. The value is tested as soon as changed conditions show that a need for impairment has taken place. Value in use is measured as anticipated future discounted cash flow, primarily from the cash-generating unit to which the asset belongs, but in specific cases, also in relation to individual assets. Testing of the carrying amount of an asset also becomes necessary when a decision is taken to sell the asset. The asset is measured at the lower of the carrying amount and the fair value, less selling costs. Not including goodwill, PPE and intangible assets amount to approximately 39 percent of the Group's equity.
- Calculation of deferred tax assets and liabilities: Assessments are made to determine current and deferred tax assets and liabilities, particularly with regard to deferred tax assets. In this manner, an assessment is made of the probability that the deferred tax assets will be utilized for settlement against future taxable gains. The fair value of these future taxable gains

may deviate, owing to the future business climate and earnings potential, or to changes in tax regulations. For further information, see Note 18.

- Calculation of remuneration to employees: The value of pension obligations for defined benefit pension plans is derived from actuarial calculations based on assumptions concerning discount rates, expected yield from plan assets, future salary increases, inflation and the demographic conditions. At year-end, the Group's defined benefit obligations amounted to SEK 450 M. IAS 19 Employee Benefits impacted the Group during the year. The amendment entails that the corridor method is no longer applied, all actuarial gains and losses are now recognized in other comprehensive income immediately when they arise, and costs for services rendered in previous years are recognized immediately. Under the new standard, a net income/expense item is recognized instead of interest expenses and expected return on plan assets by applying the discount rate, as used to discount the pension obligations, included in the Group's pension liabilities. Vesting costs for the year and net income/expense are recognized in profit and loss. The amended standard came into effect on January 1, 2013, with retrospective application. The effect on the financial statements is presented in Note 31.
- Calculations regarding legal disputes and contingent liabilities: The Group is involved in a number of disputes and legal proceedings within the framework of its operating activities. Management engages both external and internal legal expertise in these matters. According to assessments made, the Group is not involved in any legal disputes that could entail any major negative effect on the operations or on the financial position. For further information, refer the Risk management section on pages 44-49.
- Calculations of provisions for restructuring measures, other provisions and accrued expenses: The amount of provisions for restructuring is based on assumptions and estimations regarding the point in time and cost for future activities, such as the amount of severance payments or other obligations in connection with termination of employment. Calculations of this type of cost are based on the particular situation in the negotiations with the parties concerned.

**Cash-flow statements**

Cash-flow statements are prepared in accordance with the indirect method.

**Parent Company's accounting policies**

The financial statements of the Parent Company have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2.

In its financial reporting, the Parent Company applies International Financial Reporting Standards (IFRS) that have been endorsed by the EU where this is possible within the framework of the Swedish Annual Accounts Act and with consideration of the link between accounting and taxation. This entails the following differences between accounting in the Parent Company and the Group:

- The Parent Company recognizes its pension obligations in accordance with the Pension Obligations Vesting Act. Adjustments in accordance with IFRS are made at the Group level.
- Group contributions are recognized as appropriations.
- Shareholders' contributions are added to the value of shares and participations in the balance sheet, after which they are tested for impairment.

**Note 2****Segment reporting**

A description of the Group's operating segments is presented on pages 12-21.

**Net sales and operating profit by operating segment**

	2013						2012					
	Net sales			Operating profit/loss	Of which, items affecting comparability	Of which, profit/loss in joint ventures/associated companies	Net sales			Operating profit/loss	Of which, items affecting comparability	Of which, profit/loss in joint ventures/associated companies
SEK M	External	Internal	Total				External	Internal	Total			
Trelleborg Coated Systems	1,700	139	1,839	161	-36	0	1,590	148	1,738	177	-	-
Trelleborg Industrial Systems	4,339	68	4,407	351	-69	0	4,416	86	4,502	257	-71	0
Trelleborg Offshore & Construction	3,575	12	3,587	268	-6	0	3,635	9	3,644	149	-67	-
Trelleborg Sealing Solutions	7,034	59	7,093	1,429	-57	2	7,164	51	7,215	1,487	-26	2
Trelleborg Wheel Systems	4,189	0	4,189	473	-17	0	3,865	0	3,865	449	-	1
Group items	637	284	921	-479	-225	0	592	484	1,076	-166	175	-
Elimination of inter-company sales	0	-563	-563					-778	-778			
TrelleborgVibracoustic	-	-	-	355	-	355	-	-	-	109	-	109
<b>Continuing operations</b>	<b>21,473</b>	<b>0</b>	<b>21,473</b>	<b>2,558</b>	<b>-410</b>	<b>357</b>	<b>21,262</b>	<b>0</b>	<b>21,262</b>	<b>2,462</b>	<b>11</b>	<b>112</b>
Discontinued operations	-	-	-	-39	-	-	3,975	-	3,975	353	-10	8
<b>Trelleborg Group</b>	<b>21,473</b>	<b>0</b>	<b>21,473</b>	<b>2,519</b>	<b>-410</b>	<b>357</b>	<b>25,237</b>	<b>0</b>	<b>25,237</b>	<b>2,815</b>	<b>1</b>	<b>120</b>
Financial income				32						56		
Financial expenses				-229						-245		
Income tax				-705						-569		
<b>Net profit for the year</b>				<b>1,617</b>						<b>2,057</b>		

## Assets and liabilities by operating segment

SEK M	2013								2012							
	Operating assets	Operating liabilities	Capital employed	Of which investment in joint ventures/associated companies	Capital expenditures	Depreciation/amortization	Impairment losses	Operating cash flow <sup>1)</sup>	Operating assets	Operating liabilities	Capital employed	Of which investment in joint ventures/associated companies	Capital expenditures	Depreciation/amortization	Impairment losses	Operating cash flow
Trelleborg Coated Systems	2,524	392	2,132	–	59	55	–	161	2,459	454	2,005	–	96	67	–	167
Trelleborg Industrial Systems	3,443	859	2,584	3	171	144	0	467	3,367	848	2,519	3	133	143	3	428
Trelleborg Offshore & Construction	3,089	918	2,171	–	120	84	0	89	2,766	885	1,881	–	136	97	20	230
Trelleborg Sealing Solutions	8,326	1,224	7,102	2	288	232	2	1,422	7,963	1,084	6,878	1	285	213	3	1,695
Trelleborg Wheel Systems	3,525	683	2,842	1	209	118	0	443	3,450	708	2,743	1	200	99	–	227
Group items	967	527	440	3	75	49	29	-420	1,094	617	477	2	60	57	-4	-499
Provisions for items affecting comparability		121	-121							130	-130					
Trelleborg/Vibracoustic	3,113	–	3,113	3,113	–	–	–	–	2,860	–	2,860	2,860	–	–	–	–
<b>Continuing operations</b>	<b>24,987</b>	<b>4,724</b>	<b>20,263</b>	<b>3,122</b>	<b>922</b>	<b>682</b>	<b>31</b>	<b>2,162</b>	<b>23,959</b>	<b>4,726</b>	<b>19,233</b>	<b>2,867</b>	<b>910</b>	<b>676</b>	<b>22</b>	<b>2,248</b>
Discontinued operations	–	–	–	–	–	–	–	-29	0	0	0	–	134	114	2	-259
<b>Trelleborg Group</b>	<b>24,987</b>	<b>4,724</b>	<b>20,263</b>	<b>3,122</b>	<b>922</b>	<b>682</b>	<b>31</b>	<b>2,133</b>	<b>23,959</b>	<b>4,726</b>	<b>19,233</b>	<b>2,867</b>	<b>1,044</b>	<b>790</b>	<b>24</b>	<b>1,989</b>

<sup>1)</sup> Operating cash flow pertains to the Group's operations excluding provisions for items affecting comparability.

<sup>2)</sup> Operating liabilities and capital employed in 2012 were adjusted in the amount of SEK 231 M related to the higher pension provisions due to the amended accounting policies in IAS 19.

## Net sales

## By geographic market/country

SEK M	2013	2012
Germany	2,944	3,022
France	1,523	1,442
U.K.	1,515	1,728
Sweden	1,292	1,308
Italy	953	898
Norway	697	684
Spain	532	491
Netherlands	476	537
Switzerland	465	355
Belgium	369	389
Denmark	356	374
Finland	262	284
Other Western Europe	320	309
<b>Total Western Europe</b>	<b>11,704</b>	<b>11,821</b>
Poland	282	296
Turkey	251	122
Czech Republic	203	199
Romania	141	94
Rest of Europe	416	386
<b>Total rest of Europe</b>	<b>1,293</b>	<b>1,097</b>
U.S.	4,049	3,977
Canada	303	246
<b>Total North America</b>	<b>4,352</b>	<b>4,223</b>
Brazil	390	443
Mexico	146	129
Other South and Central America	83	96
<b>Total South and Central America</b>	<b>619</b>	<b>668</b>
China	855	688
Australia	479	572
South Korea	452	314
Japan	360	445
India	217	218
Other markets	1,142	1,216
<b>Total Asia and other markets</b>	<b>3,505</b>	<b>3,453</b>
<b>Continuing operations</b>	<b>21,473</b>	<b>21,262</b>
Discontinued operations	–	3,975
<b>Trelleborg Group</b>	<b>21,473</b>	<b>25,237</b>

In the translation of foreign subsidiaries, changes in exchange rates compared with 2012 had a negative impact on sales of 4 percent (neg: 1).

## Trends in key currencies were as follows:

	2013		2012	
	Average rate	Closing day rate	Average rate	Closing day rate
EUR	8.6504	8.9523	8.7047	8.6259
USD	6.5146	6.5097	6.7731	6.5169
GBP	10.1878	10.7392	10.7343	10.4977

## Net sales

## External net sales by geographic market

SEK M	2013	2012
Western Europe	11,704	11,821
North America	4,352	4,223
Rest of the world <sup>1)</sup>	5,417	5,218
<b>Continuing operations</b>	<b>21,473</b>	<b>21,262</b>
Discontinued operations	–	3,975
<b>Trelleborg Group</b>	<b>21,473</b>	<b>25,237</b>

<sup>1)</sup> Rest of the world consists of Rest of Europe, South and Central America and Asia and other markets.

## Assets by geographic market

SEK M	Operating assets		Capital expenditures	
	2013	2012	2013	2012
Western Europe	17,849	17,227	562	537
North America	3,612	3,624	117	92
Rest of the world	4,015	3,811	243	281
Eliminations	-489	-703		
<b>Continuing operations</b>	<b>24,987</b>	<b>23,959</b>	<b>922</b>	<b>910</b>
Discontinued operations	–	–	–	134
<b>Trelleborg Group</b>	<b>24,987</b>	<b>23,959</b>	<b>922</b>	<b>1,044</b>

## Note 3

## Employees and employee benefits

## Average number of employees

	2013			2012		
	Women	Men	Total	Women	Men	Total
U.K.	283	1,287	1,570	271	1,154	1,425
Sweden	413	851	1,264	457	886	1,343
Italy	183	951	1,134	184	956	1,140
France	190	816	1,006	193	837	1,030
Germany	217	439	656	226	426	652
Malta	157	405	562	165	400	565
Spain	44	370	414	59	381	440
Other Western Europe	314	897	1,211	294	859	1,153
<b>Total Western Europe</b>	<b>1,801</b>	<b>6,016</b>	<b>7,817</b>	<b>1,849</b>	<b>5,899</b>	<b>7,748</b>
Poland	228	236	464	234	235	469
Rest of Europe	226	339	565	228	324	552
<b>Total rest of Europe</b>	<b>454</b>	<b>575</b>	<b>1,029</b>	<b>462</b>	<b>559</b>	<b>1,021</b>
U.S.	607	1,525	2,132	578	1,494	2,072
Canada	6	22	28	4	18	22
<b>Total North America</b>	<b>613</b>	<b>1,547</b>	<b>2,160</b>	<b>582</b>	<b>1,512</b>	<b>2,094</b>
Brazil	87	324	411	86	170	256
Other South and Central America	84	105	189	109	133	242
<b>Total South and Central America</b>	<b>171</b>	<b>429</b>	<b>600</b>	<b>195</b>	<b>303</b>	<b>498</b>
China	402	1,142	1,544	313	609	922
Sri Lanka	29	701	730	28	714	742
India	49	274	323	42	228	270
Other markets	133	491	624	127	483	610
<b>Total Asia and other markets</b>	<b>613</b>	<b>2,608</b>	<b>3,221</b>	<b>510</b>	<b>2,034</b>	<b>2,544</b>
<b>Continuing operations</b>	<b>3,652</b>	<b>11,175</b>	<b>14,827</b>	<b>3,598</b>	<b>10,307</b>	<b>13,905</b>

Cont.

## Average number of employees

	2013			2012		
	Women	Men	Total	Women	Men	Total
Sweden				55	84	139
France				62	167	229
Germany				32	186	218
Spain				47	171	218
U.S.				156	274	430
Brazil				32	289	321
China				112	228	340
India				8	269	277
Other countries				196	429	625
<b>Discontinued operations</b>	-	-	-	<b>700</b>	<b>2,097</b>	<b>2,797</b>
<b>Trelleborg Group</b>	<b>3,652</b>	<b>11,175</b>	<b>14,827</b>	<b>4,298</b>	<b>12,404</b>	<b>16,702</b>

The proportion of women is 0 percent (0) in executive management positions and 29 percent (29) on the Board of Directors.

## Employee benefits

Salaries and other remuneration, SEK M	2013	2012
U.K.	521	474
Sweden	628	616
Italy	467	408
France	344	333
Germany	371	366
Malta	97	95
Spain	131	130
Other Western Europe	652	675
<b>Total Western Europe</b>	<b>3,211</b>	<b>3,097</b>
Poland	48	48
Rest of Europe	77	77
<b>Total rest of Europe</b>	<b>125</b>	<b>125</b>
U.S.	941	884
Canada	16	15
<b>Total North America</b>	<b>957</b>	<b>899</b>
Brazil	81	74
Other South and Central America	22	27
<b>Total South and Central America</b>	<b>103</b>	<b>101</b>
China	130	91
Sri Lanka	30	27
India	21	18
Other markets	265	287
<b>Total Asia and other markets</b>	<b>446</b>	<b>423</b>
<b>Salaries and other remuneration, continuing operations</b>	<b>4,842</b>	<b>4,645</b>
Payroll overheads	976	943
Pension costs – defined-contribution plans	140	154
Pension costs – defined benefit plans	38	73
<b>Payroll overheads, continuing operations</b>	<b>1,154</b>	<b>1,170</b>
<b>Continuing operations</b>	<b>5,996</b>	<b>5,815</b>
Total employee benefits, discontinued operations	-	791
<b>Trelleborg Group</b>	<b>5,996</b>	<b>6,606</b>
Salaries and other remuneration for continuing operations include:		
to Board members, presidents and executive vice presidents, including variable salaries	164	141
to other senior executive officers	31	27

## Remuneration of the Board of Directors and senior executives

## Principles

The following principles governing remuneration of senior executives in the Trelleborg Group were adopted by the 2013 Annual General Meeting. The Board's proposal to the 2014 Annual General Meeting regarding principles for remuneration is the same as the proposal adopted by the 2013 Annual General Meeting. Trelleborg's principles for remuneration of senior executives state that the company shall offer market-based terms of employment that enable the company to recruit, develop and retain senior executives. The remuneration structure shall comprise fixed and variable salary, pension and other remuneration, which together form the individual's total remuneration package. Trelleborg continuously gathers and evaluates information on market-based remuneration levels for relevant industries and markets. The principles for remuneration must have the capacity to be adjusted to local conditions. The remuneration structure is to be based on such factors as position held, competence, experience and performance. Refer also to [www.trelleborg.com](http://www.trelleborg.com), Corporate Governance, Annual General Meeting: "Principles for remuneration and other conditions of employment for senior executives".

## Remuneration of management 2013

## President

During 2013, the President and CEO received a fixed salary and other remuneration as shown in the table below. Pursuant to agreements, the President has the possibility of obtaining an annual variable salary. The annual variable salary has an established ceiling for full-year 2013, corresponding to a maximum of 65 percent of fixed salary. During 2013, the annual variable salary was based on the Trelleborg Group's profit before tax and the Group's operating cash flow, both of which excluding the effect of structural changes approved by the Board, and excluding the earnings effect from TrelleborgVibracoustic. The President also had a minor share of the annual variable salary based on operating profit in TrelleborgVibracoustic. The annual variable salary does not constitute pensionable income and does not form the basis of calculation of vacation pay. For 2013, an annual variable salary of SEK 5,655,000 (5,408,000) was payable to the President.

The President has a pension agreement entitling him to retire at the age of 65. However, under the terms of the pension agreement, both the company and the President have the right, without special motivation, to request early retirement from the age of 60, subject to a mutual six-month notice of termination. Should the President enter into early retirement, the employment agreement and pension agreement shall be rendered invalid as of the effective date of such retirement. The pension agreement is a defined-contribution scheme, and the premium is computed as 40 percent of the fixed salary. Pension premiums were expensed in 2013 as shown in the table below.

The President's employment contract stipulates that termination of employment by the company shall be subject to a period of notice of 24 months. The period of notice from the President is six months.

## Other senior executives

The principles for remuneration of other senior executives are based on both a fixed and annual variable salary. The annual variable part has an established ceiling and accounts for a maximum of 30-60 percent of fixed annual salary. In 2013, the annual variable salary was based on, among other factors, the earnings trend and operating cash flow. In addition, a minor portion of the annual variable salary of a few senior executives was based on the operating profit in TrelleborgVibracoustic. For the business areas, other operational key figures were also used as the targets for annual variable salary. For other senior executives, retirement pension plans are defined-contribution schemes, whereby the pension premium can vary between 20 and 45 percent of the fixed salary. Some senior executives have agreements specifying mutual rights to request early retirement from the age of 60. In this case, compensation amounting to 60 percent of fixed annual salary is paid until the age of 65, when the regular retirement pension payments become effective. For certain senior executives, extended notice of termination periods apply when initiated by the company, normally 12, 18 or 24 months. The period of notice is six months when initiated by the executive. For the President and other senior executives, there is mainly an opportunity to have a company car as a benefit. The Group has a global remuneration policy covering all managers and senior salaried employees. There is also a policy covering certain provisions for remuneration of senior executives, covering pension terms, medical expenses insurances and company cars.

## Long-term incentive program

Since 2005, the Board of Directors has annually resolved to introduce a long-term incentive program for the President and for certain senior executives considered to exercise a significant influence on the Trelleborg Group's earnings per share. These programs are ongoing, three-year programs. The Board determines annually whether to instigate new programs and, if so, the scope, objective and participants of such new programs. The incentive programs are cash-based and constitute a supplement to the annual variable salaries, provided that the executive has not terminated his employment at the Trelleborg Group as per December 31 in the year in which the program ends.

## Purpose

The incentive programs are directional and have long-term content. The aim is to continue to promote and retain the commitment of senior executives to the Group's development, thereby increasing value for the Group's shareholders.

## Target figures

The target value for the incentive programs is the Trelleborg Group's earnings per share, with an annual improvement of 10 percent. The target figure for the Trelleborg Group's earnings per share excludes items affecting comparability attributable to the Trelleborg Group and TrelleborgVibracoustic and the impact of any share buyback programs. According to the above definition, the earnings per share in 2013 totaled SEK 7.56. For the current programs, the Board has established a target of SEK 5.20 in earnings per share for 2011, a target of SEK 6.02 for 2012 and a target of SEK 6.08 for 2013, with the upper cap for payments for all programs set at 25 percent of the maximum annual salary per program per year. In 2014, the target figure will use the total for 2013 as a base, that is, SEK 7.56 in earnings per share.

## Outcome and payment

The result is calculated annually and accumulated over the three-year period and potential payments are made in the first quarter of the year after the program expires. For the program approved for 2010, payment was made in the first quarter of 2013, for the program approved for 2011, payment will be made in the first quarter of 2014, for the program approved for 2012, payment will be made in the first quarter of 2015 and for the program approved for 2013, payment will be made in the first quarter of 2016. The payments do not constitute pensionable income and do not form the basis of calculation of vacation pay. In 2013, earnings were charged with SEK 27,012,000 (24,022,000) and additional payroll expenses of SEK 6,370,000 (5,823,000).

## Other incentive programs

The Group has no ongoing convertible debenture or warrant programs at the present time.

## Remuneration to the Board 2013

The fees paid to the members of the Board of Directors elected by the Annual General Meeting are approved by the Annual General Meeting based on the proposals of the Nomination Committee. For 2013, remuneration was paid as per the table below. No remuneration is paid to members of the Finance Committee. No consulting fees were paid to the Board members. Remuneration is not paid to executive Board members.

## Specification of remuneration to Board members, salaries to the President and other senior executive officers

2013 SEK 000s	Board fee/fixed salary	Annual variable salary	Incentive program <sup>1)</sup>	Other benefits	Pension costs	Total
Sören Mellstig, Chairman of the Board	933					933
Anders Narvinger, Chairman of the Board up and including 2013 AGM	400					400
Hans Björck, Board member	530					530
Jan Carlson, Board member	313					313
Claes Lindqvist, Board member	530					530
Bo Risberg, Board member	480					480
Nina Udnes Tronstad, Board member	413					413
Heléne Vibbleus, Board member	563					563
President	9,177	5,655	4,390	158	3,538	22,918
Other senior executives, employees of Trelleborg AB, 4 persons	9,257	4,056	2,712	420	4,143	20,588
employees of other Group companies, 6 persons	20,915	9,245	8,328	890	8,927	48,305
<b>Total</b>	<b>43,511</b>	<b>18,956</b>	<b>15,430</b>	<b>1,468</b>	<b>16,608</b>	<b>95,973</b>

<sup>1)</sup> Expensed in 2013. Payment is made in the first quarter, 2014 to 2016, on condition that the individual is employed in the Group on December 31 of the preceding year.

2012 SEK 000s	Board fee/fixed salary	Annual variable salary	Incentive program	Other benefits	Pension costs	Total
Anders Narvinger, Chairman of the Board	1,100					1,100
Hans Björck, Board member	450					450
Claes Lindqvist, Board member	550					550
Sören Mellstig, Board member	500					500
Bo Risberg, Board member	500					500
Nina Udnes Tronstad, Board member	400					400
Heléne Vibbleus, Board member	550					550
President	8,713	5,408	3,907	170	3,384	21,582
Other senior executives, employees of Trelleborg AB, 4 persons	9,022	4,238	2,114	465	3,999	19,838
employees of other Group companies, 6 persons	22,841	8,685	7,248	509	6,682	45,965
<b>Total</b>	<b>44 626</b>	<b>18 331</b>	<b>13 269</b>	<b>1 144</b>	<b>14 065</b>	<b>91 435</b>

## Note 4

### Auditor's remuneration

SEK M	2013	2012
<i>PricewaterhouseCoopers</i>		
Audit assignment	22	27
Audit activities other than audit assignment	1	4
Tax consultancy services	5	5
Other services	19	10
<i>Other auditors</i>		
Audit assignment	0	1
Tax consultancy services	0	1
Other services	0	-
<b>Total</b>	<b>47</b>	<b>48</b>

## Note 5

### Items affecting comparability

#### Breakdown by business area

SEK M	2013	2012
Trelleborg Coated Systems	-36	-
Trelleborg Industrial Systems	-69	-71
Trelleborg Offshore & Construction	-6	-67
Trelleborg Sealing Solutions	-57	-26
Trelleborg Wheel Systems	-17	-
Group items	-70	-28
<b>Total restructuring programs</b>	<b>-255</b>	<b>-192</b>
Profit from sale of property	-	203
Legal nonrecurring costs	-155	-
<b>Net items affecting comparability</b>	<b>-410</b>	<b>11</b>

#### Breakdown by function

SEK M	2013	2012
Cost of goods sold	-105	-65
Selling expenses	-10	-12
Administrative expenses	-32	-32
R&D costs	0	-1
Other operating income	4	203
Other operating costs	-267	-82
<b>Total</b>	<b>-410</b>	<b>11</b>

#### Of which impairment losses/restructuring costs

SEK M	Impairment losses		Restructuring costs	
	2013	2012	2013	2012
Trelleborg Coated Systems	-	-	-36	-
Trelleborg Industrial Systems	-	-3	-69	-68
Trelleborg Offshore & Construction	-	-20	-6	-47
Trelleborg Sealing Solutions	-	0	-57	-26
Trelleborg Wheel Systems	-	-	-17	-
Group items	-29	-	-41	-28
<b>Total</b>	<b>-29</b>	<b>-23</b>	<b>-226</b>	<b>-169</b>

Impairment of non-current assets was conducted to the calculated value in use.

## Note 6

### Other operating income and expenses

SEK M	2013	2012
Compensation from insurance company	1	2
Rental revenue	59	43
Exchange-rate differences	83	47
Royalties	15	15
Government grants	6	9
Customer-/Supplier-related revenues	17	9
Sale of non-current assets	1	49
Sale of tools, prototypes, etc.	10	15
Sale of services	15	8
Other	31	56
<b>Total other operating income</b>	<b>238</b>	<b>253</b>
Rental revenue	-9	-13
Exchange-rate differences	-67	-33
Customer-/Supplier-related expenses	-4	-4
Sale/disposal of non-current assets	-3	-52
Other	-74	-6
<b>Total other operating expenses</b>	<b>-157</b>	<b>-108</b>
<b>Total</b>	<b>81</b>	<b>145</b>

## Note 7

### Participations in joint venture/associated companies

SEK M	Profit/loss before tax		Tax		Net profit/loss		Dividend received	
	2013	2012	2013	2012	2013	2012	2013	2012
TrelleborgVibracoustic <sup>1)</sup>	355	109	-118	-32	237	77	-	-
Other, associated companies <sup>1)</sup>	2	4	0	-1	2	3	1	2
<b>Continuing operations</b>	<b>357</b>	<b>113</b>	<b>-118</b>	<b>-33</b>	<b>239</b>	<b>80</b>	<b>1</b>	<b>2</b>
Dawson Manufacturing Company	-	12	-	-4	-	8	-	-
<b>Discontinued operations</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>-4</b>	<b>-</b>	<b>8</b>	<b>-</b>	<b>-</b>
<b>Trelleborg Group</b>	<b>357</b>	<b>125</b>	<b>-118</b>	<b>-37</b>	<b>239</b>	<b>88</b>	<b>1</b>	<b>2</b>

<sup>1)</sup> Participations in profit/loss in TrelleborgVibracoustic are recognized on two lines in profit and loss: operating profit and tax. For other associated companies, participations in profit/loss after tax are recognized on a single line in the income statement: operating profit.

SEK M	Receivables from companies		Liabilities to companies		Sales to companies		Operating income from companies <sup>3)</sup>	
	2013	2012	2013	2012	2013	2012	2013	2012
TrelleborgVibracoustic <sup>2)</sup>	79	905	51	116	121	54	60	25
Other, associated companies	4	0	0	0	12	3	0	-
<b>Total</b>	<b>83</b>	<b>905</b>	<b>51</b>	<b>116</b>	<b>133</b>	<b>57</b>	<b>60</b>	<b>25</b>

<sup>2)</sup> The Group has outstanding contingent liabilities to TrelleborgVibracoustic, refer also to Note 34.

<sup>3)</sup> Of which rental revenue SEK 38 M (16).

Company	Registered office	Share of equity, %	Assets		Liabilities	
			2013	2012	2013	2012
<i>Indirectly owned</i>						
TrelleborgVibracoustic	Germany	50	9,813	8,244	6,557	5,744
Other, associated companies			51	72	32	51
<b>Total</b>			<b>9,864</b>	<b>8,316</b>	<b>6,589</b>	<b>5,795</b>

Company	Shareholders' equity		Net sales		Profit/loss for the year		Carrying amount	
	2013	2012	2013	2012	2013	2012	2013	2012
<i>Indirectly owned</i>								
TrelleborgVibracoustic	3,256	2,500	14,528	10,295 <sup>4)</sup>	461	358 <sup>4)</sup>	3,114	2,860
Other, associated companies	19	20	58	82	2	4	8	7
<b>Total</b>	<b>3,275</b>	<b>2,520</b>	<b>14,586</b>	<b>10,377</b>	<b>463</b>	<b>362</b>	<b>3,122</b>	<b>2,867</b>

<sup>4)</sup> Pertains to the legal entity of TrelleborgVibracoustic in which former Trelleborg units in Trelleborg Automotive are included for only the July-December 2012 period.

### Shares and participations in joint venture/associated companies

SEK M	2013	2012
Balance, January 1		2,867
Acquisitions	-	2
Formation of TrelleborgVibracoustic <sup>5)</sup>	-	2,782
Divestments	-	-58
Dividend	-	-2
Share of profit/loss in joint venture/associated companies – continuing operations		239
Share of profit/loss in associated companies – discontinued operations		-
Translation differences		17
<b>Carrying amount, December 31</b>	<b>3,122</b>	<b>2,867</b>

<sup>5)</sup> The transaction did not have any significant impact on the Group's earnings. An assessment of the fair value was performed.

## Note 8

### Expenses by nature

SEK M	2013	2012
Costs for raw materials, components, goods for resale and packaging material as well as energy and transport costs	-10,275	-10,563
Remuneration to employees	-6,196	-6,049
Depreciation/amortization and impairment losses	-690	-707
Other external costs related to sales, administration and R&D	-1,947	-1,897
Other operating income/expenses	-164	304
Participations in joint venture/associated companies	357	112
<b>Total</b>	<b>-18,915</b>	<b>-18,800</b>

## Note 9

### Exchange-rate differences impacting operating profit

SEK M	2013	2012
Net sales	27	13
Cost of goods sold	-22	0
Sales, administration and R&D costs	-2	-5
Other operating income/operating expenses	12	3
<b>Total</b>	<b>15</b>	<b>11</b>

## Note 10

### Government grants

SEK M	2013	2012
Grants received	7	6
<b>Total</b>	<b>7</b>	<b>6</b>

## Note 11

### Financial income and expenses

#### Financial income

SEK M	2013	2012
Interest income from interest-bearing receivables	32	39
Exchange-rate gains, net	0	10
<b>Total financial income, continuing operations</b>	<b>32</b>	<b>49</b>
Interest income from interest-bearing receivables	-	7
Exchange-rate gains, net	-	0
<b>Total financial income, discontinued operations</b>	<b>0</b>	<b>7</b>
<b>Total financial income</b>	<b>32</b>	<b>56</b>

#### Financial expenses

Interest expenses on interest-bearing liabilities	-175	-203
Interest expenses related to EU ruling <sup>1)</sup>	-36	-
Exchange-rate losses, net	-18	0
<b>Total financial expenses, continuing operations</b>	<b>-229</b>	<b>-203</b>
Interest expenses on interest-bearing liabilities	-	-23
Exchange-rate losses, net	-	-19
<b>Total financial expenses, discontinued operations</b>	<b>-</b>	<b>-42</b>
<b>Total financial expenses</b>	<b>-229</b>	<b>-245</b>
<b>Total financial income and expenses</b>	<b>-197</b>	<b>-189</b>

<sup>1)</sup> Pertains to interest expenses of SEK 36 M related to the European Commission's ruling relating to the Group's participation in a marine hose cartel. The interest expense is attributable to the appeal period (2009-2013).

## Note 12

### Income tax

SEK M	2013	2012
<b>Current tax expenses</b>		
Tax expenses for the period	-434	-564
Adjustment of tax attributable to prior years	11	9
<b>Total</b>	<b>-423</b>	<b>-555</b>
<b>Deferred tax expenses</b>		
Utilization/revaluation of losses carried forward	-92	-29
Deferred tax expenses/income on changes in temporary differences	-70	116
<b>Total</b>	<b>-162</b>	<b>87</b>
Other taxes	-2	-20
Tax attributable to TrelleborgVibracoustic	-118	-32
<b>Total recognized tax expenses for continuing operations</b>	<b>-705</b>	<b>-520</b>
<b>Discontinued operations</b>		
<b>Current tax expenses</b>		
Tax expenses for the period	-	-49
Adjustment of tax attributable to prior years	-	1
<b>Deferred tax expenses</b>		
Utilization/revaluation of losses carried forward	-	7
Deferred tax expenses/income on changes in temporary differences	-	-2
Other taxes	-	-6
<b>Total recognized tax expenses for the Group</b>	<b>-705</b>	<b>-569</b>
<b>Reconciliation of tax in the Group, continuing operations</b>		
Profit before tax	2,361	2,308
Calculated Swedish income tax, 22.0% (26.3)	-519	-607
Impact of other tax rates on foreign subsidiaries	-84	-14
Non-deductible expenses/non-taxable revenue	-67	90
Amortization of goodwill in connection with divestment	5	8
Impact of changed tax rates and tax regulations	3	13
Remeasurement of losses carried forward/temporary differences	-56	2
Tax attributable to prior years	15	8
<b>Total</b>	<b>-703</b>	<b>-500</b>
Other taxes	-2	-20
<b>Recognized tax for continuing operations</b>	<b>-705</b>	<b>-520</b>
<b>Tax items recognized in other comprehensive income</b>		
Deferred tax on cash-flow hedges	-14	-2
Deferred tax on hedging of net investments	42	-140
Deferred tax in translation differences	21	0
Deferred tax on pension obligations	-16	-
<b>Total</b>	<b>33</b>	<b>-142</b>

#### Tax items recognized in other comprehensive income

Deferred tax on cash-flow hedges	-14	-2
Deferred tax on hedging of net investments	42	-140
Deferred tax in translation differences	21	0
Deferred tax on pension obligations	-16	-
<b>Total</b>	<b>33</b>	<b>-142</b>

At year-end 2013, the Group had losses carried forward in continuing operations of approximately SEK 2,455 M (2,650), of which about SEK 1,570 M (1,700) was taken into account when calculating deferred tax. Losses carried forward not capitalized include cases where uncertainty exists regarding the tax value.

Of losses carried forward, SEK 0 M (0) falls due within the next 12-month period and SEK 68 M (77) falls due within the next five-year period.

## Note 13

### Non-controlling interests – profit and equity

SEK M	Share of profit for the year		Non-controlling interest Equity	
	2013	2012	2013	2012
Trelleborg Kunhwa Co Ltd <sup>1)</sup>	-	5	-	-
Trelleborg Sealing Solutions Korea <sup>2)</sup>	-	5	-	-
Investissement et Financiere de Bloch SAS	4	4	24	18
Etablissements Bloch SAS	1	-1	13	13
Other companies	3	2	7	4
<b>Trelleborg Group</b>	<b>8</b>	<b>15</b>	<b>44</b>	<b>35</b>

<sup>1)</sup> Included in TrelleborgVibracoustic from July 2012.

<sup>2)</sup> The company became a wholly owned subsidiary in 2012.



## Note 14

### Property, plant and equipment (PPE)

SEK M	2013	2012
Buildings	1,248	1,209
Land and land improvements	470	454
Plant and machinery	2,467	2,320
Equipment, tools, fixtures and fittings	377	395
New construction in progress and advance payments relating to PPE	579	531
<b>Total</b>	<b>5,141</b>	<b>4,909</b>

### Depreciation of PPE by function

SEK M	2013	2012
Cost of goods sold	-527	-552
Selling expenses	-18	-12
Administrative expenses	-48	-43
R&D costs	-11	-10
Other operating expenses	-7	-11
<b>Continuing operations</b>	<b>-611</b>	<b>-628</b>
Discontinued operations	-	-90
<b>Trelleborg Group</b>	<b>-611</b>	<b>-718</b>

### Impairment of PPE by function

SEK M	Impairment losses		Reversed impairment losses	
	2013	2012	2013	2012
Cost of goods sold	-21	-4	-	7
Administrative expenses	0	-1	-	-
Other operating expenses	-10	-24	-	-
<b>Continuing operations</b>	<b>-31</b>	<b>-29</b>	<b>-</b>	<b>7</b>
Discontinued operations	-	-2	-	-
<b>Trelleborg Group</b>	<b>-31</b>	<b>-31</b>	<b>-</b>	<b>7</b>

### Leasing agreements

The Group has entered into financial and operating lease agreements. Non-current assets held under financial lease agreements are recorded as property, plant and equipment and future payment obligations are recognized as a financial liability.

Leasing costs for assets held through financial lease agreements amounted to SEK 0 M (0). Future lease payments for financial lease agreements fall due as follows:

SEK M	2013	2012
Year 1	2	2
Year 2-5	3	3
Later than 5 years	-	-

Leasing costs for assets held through operating lease agreements are classified as operating expenses, and amounted to SEK 138 M (128). Future payment commitments for non-cancelable lease agreements amounted to SEK 537 M (488) and fall due as follows:

SEK M	2013	2012
Year 1	121	107
Year 2-5	269	242
Later than 5 years	147	139

SEK M	Buildings		Land and land improvements		Machinery and plant		Equipment, tools, fixtures and fittings		New construction in progress and advance payments		Total PPE	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Accumulated cost	2,804	2,664	483	465	7,978	7,614	1,508	1,509	602	546	13,375	12,798
Accumulated depreciation according to plan	-1,233	-1,138	-28	-25	-5,408	-5,202	-1,115	-1,096	-22	-13	-7,806	-7,474
Accumulated revaluations	13	13	30	29	2	2	0	0	0	0	45	44
Accumulated impairment losses	-336	-330	-15	-15	-105	-94	-16	-18	-1	-2	-473	-459
<b>Carrying amount</b>	<b>1,248</b>	<b>1,209</b>	<b>470</b>	<b>454</b>	<b>2,467</b>	<b>2,320</b>	<b>377</b>	<b>395</b>	<b>579</b>	<b>531</b>	<b>5,141</b>	<b>4,909</b>
Balance, January 1	1,209	1,545	454	493	2,320	3,013	395	394	531	513	4,909	5,958
Acquisitions	6	36	0	54	28	74	4	56	0	23	38	243
Divested operations	-	-265	-	-46	0	-666	-	-63	-	-142	0	-1,182
Capital expenditures	76	76	14	6	219	351	72	114	471	420	852	967
Capital expenditures, financial leasing	-	-	-	-	-	4	1	1	-	0	1	5
Divestments and disposals	-27	-36	-4	-32	-7	-9	-3	-6	0	2	-41	-81
Depreciation according to plan for the year	-91	-102	-3	-1	-410	-497	-106	-118	-1	0	-611	-718
Impairment losses for the year	-10	-4	-	0	-21	-27	-	0	-	0	-31	-31
Reversed impairment losses	-	-	-	-	-	5	-	2	-	-	-	7
Reclassifications	76	15	3	1	313	193	12	33	-414	-250	-10	-8
Translation difference for the year	9	-56	6	-21	25	-121	2	-18	-8	-35	34	-251
<b>Carrying amount</b>	<b>1,248</b>	<b>1,209</b>	<b>470</b>	<b>454</b>	<b>2,467</b>	<b>2,320</b>	<b>377</b>	<b>395</b>	<b>579</b>	<b>531</b>	<b>5,141</b>	<b>4,909</b>

## Note 15

### Intangible assets

SEK M	2013	2012
Capitalized expenditure for development work	56	8
Capitalized expenditure for IT	100	79
Concessions, patents, licenses, trademarks and similar rights	351	337
Goodwill	8,576	8,329
Market and customer-related intangible assets	32	15
Advance payments related to intangible assets	58	56
<b>Total</b>	<b>9,173</b>	<b>8,824</b>

#### Impairment testing of goodwill and other assets

Goodwill and other assets are tested for impairment annually or more frequently if there are indications of a decline in value. This testing is based on defined cash-generating units matching the business areas applied in segment reporting. For a more detailed presentation of the Group's business areas, see pages 12-21.

The recoverable amount has been determined on the basis of calculations of value in use. These calculations are based on an internal assessment of the next five years and beyond with an assumed annual growth rate of 2 percent (2). Projected future cash flows according to these assessments form the basis for the calculation. Changes in working capital and in capital expenditure requirements have been taken into account. When calculating the present value of future cash flows, a weighted average cost of capital (WACC) of 8.2 percent (8.2) after tax was applied to all business areas since the risk profile is considered to be similar.

Reconciliation was conducted against an external assessment of a reasonable cost of capital. The debt/equity ratio was assumed to be 75 percent (75).

The calculations indicated no need for impairment in any of the business areas. A sensitivity analysis shows that, with a rate of growth reduced by 50 percent beyond the next five years and an increase in the cost of capital of 1 percentage point to 9.2 percent after tax, there would still be no need for impairment for any of the business areas.

### Goodwill by segment

SEK M	2013	2012
Trelleborg Coated Systems	989	993
Trelleborg Industrial Systems	996	972
Trelleborg Offshore & Construction	1,077	1,018
Trelleborg Sealing Solutions	4,986	4,876
Trelleborg Wheel Systems	506	449
Group items	22	21
<b>Total</b>	<b>8,576</b>	<b>8,329</b>

SEK M	Capitalized expenditure for development work		Capitalized expenditure for IT		Concessions, patents, licenses and trademarks		Goodwill		Market and customer-related intangible assets		Advance payments related to intangible assets		Total intangible assets	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Accumulated cost	81	28	421	376	641	604	9,148	8,887	62	40	58	56	10,411	9,991
Accumulated amortization according to plan	-25	-20	-322	-297	-286	-264	-206	-201	-30	-25	-	-	-869	-807
Accumulated impairment losses	0	0	1	0	-4	-3	-366	-357	-	-	-	-	-369	-360
<b>Carrying amount</b>	<b>56</b>	<b>8</b>	<b>100</b>	<b>79</b>	<b>351</b>	<b>337</b>	<b>8,576</b>	<b>8,329</b>	<b>32</b>	<b>15</b>	<b>58</b>	<b>56</b>	<b>9,173</b>	<b>8,824</b>
Balance, January 1	8	112	79	106	337	343	8,329	9,874	15	5	56	17	8,824	10,457
Acquisitions	45	-	-	0	15	25	138	89	20	10	-	-	218	124
Divested operations	-	-86	-	-20	-	-7	-	-1,269	-	-	-	-	-	-1,382
Capital expenditures	1	7	14	23	1	2	0	-	0	-	54	44	70	76
Divestments and disposals	-	-1	0	-1	-	-	-	-	-	-	-	-	0	-2
Amortization according to plan for the year	-4	-22	-50	-33	-13	-15	-	-	-4	-2	-	-	-71	-72
Impairment losses for the year	-	0	-	0	-	-	0	0	-	-	-	-	0	0
Reclassifications	4	2	57	7	3	2	0	0	-	2	-54	-5	10	8
Translation difference for the year	2	-4	0	-3	8	-13	109	-365	1	0	2	0	122	-385
<b>Carrying amount</b>	<b>56</b>	<b>8</b>	<b>100</b>	<b>79</b>	<b>351</b>	<b>337</b>	<b>8,576</b>	<b>8,329</b>	<b>32</b>	<b>15</b>	<b>58</b>	<b>56</b>	<b>9,173</b>	<b>8,824</b>
<b>Amortization for the year, by function</b>														
Cost of goods sold	0	0	-7	-9	-3	-2	-	-	-1	-1	-	-	-11	-12
Selling expenses	-2	-	-2	-2	0	0	-	-	-2	-1	-	-	-6	-3
Administrative expenses	-	-	-40	-19	-7	-9	-	-	-1	0	-	-	-48	-28
R&D costs	-2	-2	-1	0	-2	-2	-	-	-	-	-	-	-5	-4
Other operating expenses	-	-	-	-	-1	-1	-	-	-	-	-	-	-1	-1
<b>Total amortization, continuing operations</b>	<b>-4</b>	<b>-2</b>	<b>-50</b>	<b>-30</b>	<b>-13</b>	<b>-14</b>	<b>-</b>	<b>-</b>	<b>-4</b>	<b>-2</b>	<b>-</b>	<b>-</b>	<b>-71</b>	<b>-48</b>
Discontinued operations	-	-20	-	-3	-	-1	-	-	-	-	-	-	-	-24
<b>Trelleborg Group</b>	<b>-4</b>	<b>-22</b>	<b>-50</b>	<b>-33</b>	<b>-13</b>	<b>-15</b>	<b>-</b>	<b>-</b>	<b>-4</b>	<b>-2</b>	<b>-</b>	<b>-</b>	<b>-71</b>	<b>-72</b>

## Note 16

### Financial non-current assets

SEK M	2013	2012
Plan assets	40	73
Financial assets at fair value in profit and loss	-	25
Loan receivables	123	187
Derivative instruments (Note 23)	18	-
Other non-current receivables	60	57
<b>Total</b>	<b>241</b>	<b>342</b>

Carrying amount corresponds to fair value.

## Note 17

### Parent Company and Group holdings of shares in Group companies <sup>1)</sup>

Company	Registration number	Domicile/ country	No. of shares	Owner-ship percent	Carrying amount, SEK M
Dormviltre AB	556728-8716	Trelleborg	1,000	100	56
Dormvileva AB	556853-1593	Trelleborg	1,000	100	0
Dormviltolv AB	556853-1619	Trelleborg	1,000	100	0
Dormviltretton AB	556853-1627	Trelleborg	1,000	100	0
Dormvilforton AB	556853-1486	Trelleborg	1,000	100	0
Dormvilfemton AB	556853-1635	Trelleborg	1,000	100	0
Trelleborg Sealing Solutions Belgium SA		Belgium	100	100	114
Trelleborg do Brasil Soluções em Vedação Ltda		Brazil	8,307,200	100	48
Trelleborg Sealing Solutions Bulgaria EOOD		Bulgaria	10,000	100	16
Trelleborg Sealing Solutions Silcotech Bulgaria OOD		Bulgaria	0	50	2
Trelleborg Sealing Solutions Sizmirmazlik Ltd		Turkey	400	100	4
Trelleborg Sealing Solutions Czech s.r.o		Czech Republic	0	100	48
Trelleborg Sealing Solutions Hong Kong Ltd		China	484,675	100	1
Trelleborg Sealing Solutions Hungary Kft		Hungary	0	100	1
Trelleborg Sealing Solutions o.o.o.		Russia	0	100	2
Trelleborg Sealing Solutions Korea Ltd		South Korea	57,750	100	17
Trelleborg Sealing Solutions Japan KK		Japan	333	100	99
Trelleborg Sealing Solutions Polska Sp.zo.o		Poland	12,800	100	6
Trelleborg Sealing Solutions Finland Oy		Finland	15	100	75
Trelleborg Sealing Solutions Switzerland SA		Switzerland	1,000	100	47
Trelleborg Sealing Solutions Stein am Rhein AG		Switzerland	0	100	82
Trelleborg Sealing Solutions Sweden AB	556204-8370	Jönköping	2,500	100	167
Lebela Förvaltnings AB	556054-1533	Trelleborg	60,000	100	35
Trelleborg Sealing Solutions Austria GmbH		Austria	0	100	28
Trelleborg Tigveni SRL		Romania	700	100	8
Trelleborg Tyres Lanka (Private) Ltd		Sri Lanka	16,272,537	100	91
Trelleborg Wheel Systems Liepaja SIA		Latvia	8,502,000	100	106
Trelleborg Wheel Systems Argentina S.A		Argentina	1,850,000	100	5
Chemtrading Alpha Holding AG		Switzerland	100	100	3
Trelleborg Holding Switzerland AG		Switzerland	0	100	201
Trelleborg Wheel Systems China Holdings AB	556739-6998	Trelleborg	1,000	100	64
Maine Industrial Tire LLC		U.S.	1	100	
Trelleborg Automotive Shanghai Holdings AB	556742-8742	Trelleborg	1,000	100	10
Trelleborg Industrial Products Finland Oy		Finland	0	100	137
MHT Takentreprenören i Malmö AB	556170-2340	Malmö	1,000	100	0
Trelleborg Automotive Czech Republic s.o		Czech Republic	100,000	100	19
Trelleborg Sealing Profiles Lithuania UAB		Lithuania	100	100	5
Trelleborg Corporation		U.S.	2,592	100	3,211
Trelleborg Coated Systems US Inc		U.S.	1,000	100	
Trelleborg Coated Systems Italy SpA		Italy	25,600,000	100	
Trelleborg Sealing Solutions US Inc		U.S.	7,500	100	
Trelleborg Offshore US Inc		U.S.	1,000	100	
Trelleborg Wheel Systems Americas Inc		U.S.	1,000	100	
Trelleborg Sealing Profiles US Inc		U.S.	1,000	100	
Trelleborg Croatia D.O.O		Croatia	0	100	1
Trelleborg Engineered Systems China Holding AB	556223-5910	Trelleborg	1,000	100	11
Trelleborg Engineered Systems Group AB	556055-7711	Trelleborg	1,250	100	10
Trelleborg Engineered Systems Qingdao Holding AB	556715-4991	Trelleborg	1,000	100	96
Trelleborg Holding AB	556212-8255	Trelleborg	1,000	100	2,189
Trelleborg Sealing Profiles Sweden AB	556026-2148	Trelleborg	12,000	100	
Trelleborg Industrial AVS AB	556020-2862	Sjöbo	500	100	5

Company	Registration number	Domicile/ country	No. of shares	Owner-ship percent	Carrying amount, SEK M
Trelleborg International AB	556033-0754	Trelleborg	1,500	100	3,152
Trelleborg Sealing Solutions Germany GmbH		Germany	1	100	
Trelleborg Wheel Systems Germany GmbH		Germany	2	100	
Trelleborg Sealing Profiles Germany GmbH		Germany	0	100	
Trelleborg Wheel Systems Belgium NV		Belgium	11,075,114	100	
Trelleborg Holding Denmark A/S		Denmark	21,000	100	631
Trelleborg Holding France SAS		France	586,782	100	1,391
Trelleborg Industrie SAS		France	649,800	100	
Trelleborg Sealing Solutions France SAS		France	8,427	100	
Trelleborg Wheel Systems France SAS		France	9,060	100	
Trelleborg Holdings Italy S.r.l		Italy	0	100	1,246
Trelleborg Holding Norge AS		Norway	10,000	100	
Trelleborg Offshore Norway AS		Norway	27,000	100	
Trelleborg Holdings (UK) Ltd		U.K.	9,000,100	100	2,987
Trelleborg Sealing Solutions UK Ltd		U.K.	10,050,000	100	
Trelleborg Industrial Products UK Ltd		U.K.	1	100	
Trelleborg Offshore UK Ltd		U.K.	41,590	100	
Trelleborg Industri AB	556129-7267	Trelleborg	725,000	100	197
Trelleborg Insurance Ltd		Bermuda	50,000	100	118
Trelleborg International BV		Netherlands	41	100	3,150
Trelleborg Pipe Seals Lelystad BV		Netherlands	30,000	100	
Trelleborg Wheel Systems Italia SpA		Italy	11,000	100	
Trelleborg Marine Systems Japan KK		Japan	20	100	2
Trelleborg Material & Mixing Lesina s.r.o.		Czech Republic	0	100	12
Trelleborg Moulded Components Wuxi Holding AB	556715-4983	Trelleborg	1,000	100	29
Trelleborg Treasury AB (publ)	556064-2646	Stockholm	5,000	100	15,001
Trelleborg Sävsjö AB	556056-2620	Sävsjö	40,000	100	10
Trelleborg Sealing Solutions Kalmar AB	556325-7442	Kalmar	60,000	100	235
Trelleborg China Holding AB	556030-7398	Trelleborg	200,000	100	43
Trelleborg Sealing Solutions China Ltd		China	0	100	
TSS Silcotech Hong Kong Holding AB	556742-8775	Trelleborg	1,000	100	3
Trelleborg Forsheda AB	556052-2996	Värnamo	8,640,000	100	343
Trelleborg Ersmark AB	556039-7852	Ersmark	1,270,000	100	
<b>Total Parent Company</b>					<b>35,570</b>

<sup>1)</sup> The table shows directly owned subsidiaries and indirectly owned companies with annual external sales exceeding SEK 250 M.

A complete list of companies is appended to the Annual Report filed with Bolagsverket (Swedish Companies Registration Office).

## Note 18

### Deferred tax assets/tax liabilities

SEK M	2013			2012		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	8	273	-265	30	270	-240
Land and buildings	46	103	-57	81	129	-48
Machinery and equipment	44	130	-86	51	122	-71
Financial non-current assets	2	21	-19	2	19	-17
Inventories	92	9	83	92	9	83
Current receivables	9	3	6	15	3	12
Pension provisions	105	1	104	141 <sup>1)</sup>	9	132
Other provisions	57	3	54	88	29	59
Non-current liabilities	7	8	-1	1	27	-26
Current liabilities	93	3	90	81	3	78
Losses carried forward	456	-	456	540	-	540
<b>Total</b>	<b>919</b>	<b>554</b>	<b>365</b>	<b>1,122</b>	<b>620</b>	<b>502</b>
Offsetting of assets/liabilities	-291	-291		-338	-338	
<b>Total</b>	<b>628</b>	<b>263</b>	<b>365</b>	<b>784</b>	<b>282</b>	<b>502</b>

Deferred tax assets and liabilities are offset when the deferred tax pertains to the same tax authority.

<sup>1)</sup> Adjusted in the amount of SEK 74 M due to the amended accounting policies in IAS 19.

### Change in deferred tax on temporary differences and losses carried forward

SEK M	Balance, January 1		Recognized in profit and loss		Recognized in other comprehensive income/directly against equity		Acquired/divested tax assets/liabilities		Translation differences		Balance, December 31, continuing operations	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Intangible assets	-240	-322	-8	7			-15	58	-2	17	-265	-240
Land and buildings	-48	-64	-4	12			-3	1	-2	3	-57	-48
Machinery and equipment	-71	-95	-15	9			0	13	0	2	-86	-71
Financial non-current assets	-17	-6	-65	86	63	-140		44	0	-1	-19	-17
Inventories	83	102	-3	-5			1	-8	2	-6	83	83
Current receivables	12	10	-6	3			0	-2	0	1	6	12
Pension provisions	132 <sup>1)</sup>	85	-12	13	-16	74 <sup>1)</sup>		-36	0	-4	104	132 <sup>1)</sup>
Other provisions	59	42	-8	21			3	-1	0	-3	54	59
Non-current liabilities	-26	14	25	-40					0	0	-1	-26
Current liabilities	78	97	26	7	-14	-2	2	-18	-2	-6	90	78
Losses carried forward	540	781	-92	-21			8	-176	0	-44	456	540
<b>Total</b>	<b>502</b>	<b>644</b>	<b>-162</b>	<b>92</b>	<b>33</b>	<b>-68</b>	<b>-4</b>	<b>-125</b>	<b>-4</b>	<b>-41</b>	<b>365</b>	<b>502</b>
Less discontinued operations				-5								
<b>Continuing operations</b>			<b>-162</b>	<b>87</b>								

<sup>1)</sup> Adjusted in the amount of SEK 74 M due to the amended accounting policies in IAS 19.

## Note 19

### Inventories

SEK M	2013	2012
Raw materials and consumables	834	909
Work in progress	372	405
Finished products and goods for resale	1,978	1,959
Contracted work in progress	-	0
Advances to suppliers	4	2
<b>Total</b>	<b>3,188</b>	<b>3,275</b>

Impairment of obsolete inventories amounted to SEK 329 M (278).

## Note 20

### Current operating receivables

SEK M	2013	2012
Accounts receivable	3,420	3,124
Provision for bad debts	-70	-81
Bills receivable	52	44
Operating receivables, joint venture/associated companies	33	39
Other current receivables	393	374
Derivative instruments (Note 23)	1	9
Prepaid expenses and accrued income (Note 21)	463	483
<b>Total</b>	<b>4,292</b>	<b>3,992</b>

The receivables are recognized in amounts that correspond to fair value.

### Age analysis of accounts receivable

SEK M	2013	2012
Receivable not yet due	2,793	2,605
Due, but not impaired:		
<30 days	367	327
31-60 days	131	78
61-90 days	19	27
>90 days	110	87
<b>Total</b>	<b>3,420</b>	<b>3,124</b>
Provision for bad debts	-70	-81
<b>Total</b>	<b>3,350</b>	<b>3,043</b>

### Provision for bad debts

SEK M	2013	2012
Opening balance	81	102
New provisions recognized in profit and loss	22	37
Utilization of reserve attributable to identified bad debt loss	-24	-21
Reversals recognized in profit and loss	-12	-13
Divested operations	-	-22
Other	2	1
Translation difference	1	-3
<b>Closing balance</b>	<b>70</b>	<b>81</b>

## Note 21

### Prepaid expenses and accrued income

SEK M	2013	2012
Interest	5	6
Pension costs	5	3
Tools	18	9
Derivative instruments (Note 23)	12	19
Accrued income	219	192
Prepaid insurance	32	35
Other	172	219
<b>Total</b>	<b>463</b>	<b>483</b>

## Note 22

### Interest-bearing receivables

SEK M	2013	2012
Loan receivables	60	49
Derivative instruments (Note 23)	61	136
Receivables from joint venture/associated companies	50	888
Current bank investments	73	-
Other financial assets at fair value in profit and loss	-	70
<b>Total</b>	<b>244</b>	<b>1,143</b>

The recognized amounts represent an accurate estimation of their fair value.

## Note 23

### Financial derivative instruments

Derivative instruments are used mainly to hedge the Group's exposure to fluctuations in exchange rates and interest rates. The Group also uses derivative instruments for proprietary trading within the framework of mandates set by the Board. In cases where available forms of borrowing do not meet the desired structure of the loan portfolio with regard to interest-rate and foreign-exchange considerations, various derivative instruments are used.

Currency swaps are used to secure the desired financing adapted to the subsidiaries' currencies. Interest-rate swaps, FRAs or other comparable instruments are used to obtain the desired fixed-interest terms.

Foreign-exchange forwards and currency options are financial derivative instruments used to hedge currency exposure in both fixed commercial undertakings and calculated future commercial flows.

Investments in foreign subsidiaries and joint venture/associated companies may be hedged. Hedging is effected mainly through corresponding borrowing in the same currency, but may also be secured through forward contracts.

The table below shows where the Group's financial derivative instruments are recognized in the balance sheet.

Specification of derivatives in the balance sheet, SEK M	2013	2012
Financial non-current assets	18	-
Prepaid expenses and accrued income	12	19
Other current receivables	1	9
Interest-bearing receivables	61	136
<b>Total receivables, financial derivatives</b>	<b>92</b>	<b>164</b>
Other non-current liabilities	59	110
Accrued expenses and prepaid income	6	6
Other current liabilities	46	69
Interest-bearing liabilities	78	82
<b>Total liabilities, financial derivatives</b>	<b>189</b>	<b>267</b>

For credit exposure in derivatives, see Note 28.

SEK M Type and purpose of Group's financial derivative instruments	2013		2012	
	Assets Fair value	Liabilities Fair value	Assets Fair value	Liabilities Fair value
Interest-rate swaps – cash-flow hedging	18	112	-	177
Foreign-exchange forwards – cash-flow hedging	12	6	19	6
Foreign-exchange forwards – net investment hedging	41	28	85	4
Basis swap contracts – net investment hedging	-	-	20	-
Foreign-exchange forwards – financing of subsidiaries	21	43	40	79
Foreign-exchange forwards – held for trading purposes	-	-	-	1
<b>Total</b>	<b>92</b>	<b>189</b>	<b>164</b>	<b>267</b>

The nominal amount of interest-rate swaps outstanding totaled SEK 6,439 M (4,451).

### Derivatives with hedge accounting

#### Cash-flow hedging – Interest-rate swaps

In the closing balance of the hedging reserve in equity, a negative SEK 42 M (neg: 112) before tax relates to the fair value of interest-rate swaps.

At unchanged interest and exchange rates, this value will negatively impact earnings by SEK 1 M in 2014, by SEK 39 M in 2015, by SEK 15 M in 2016, and positively impact earnings by SEK 2 M in 2017, by SEK 9 M in 2018, by SEK 1 M in 2019 and by SEK 1 M in 2020.

#### Cash-flow hedges – forward currency contracts and currency options

The fair-value closing balance of cash-flow hedges relating to forward currency contracts and recognized in the hedging reserve amounted to a net of SEK 5 M (9).

At unchanged exchange rates, this value will have a positive impact on operating profit of SEK 5 M in 2014.

### Sensitivity analysis – Financial instruments

Sensitivity analyses relating to interest-rate risks and translation exposure are presented in the section "Financial risk management" on pages 48-49 and in Note 28.

If cash-flow hedges related to transaction exposure were valued using exchange rates applicable on December 31, 2012, the fair value would amount to SEK 0 M (neg: 11), of which SEK 1 M (neg: 11) would be included in the hedging reserve.

If closing balances relating to accounts receivable and accounts payable, taking into consideration implemented hedging measures, were valued using exchange rates applicable on December 31, 2012, net receivable would decrease by SEK 0 M (3).

Taking into account implemented hedging measures, the Group has no currency risk in other financial receivables and liabilities in foreign currencies.

## Note 24

### Cash and cash equivalents

SEK M	2013	2012
Current bank investments	13	3
Cash and bank balances	880	657
<b>Total</b>	<b>893</b>	<b>660</b>

For credit exposure in cash and cash equivalents, see Note 28.

## Note 25

### Discontinued operations

The amounts in 2013 represent non-recurring expenses related to the final settlement of previously divested units.

The amounts in 2012 relate to the units in Trelleborg AVS (now part of TrelleborgVibracoustic), the Protective Products business unit and a French light-vehicle component operation.

#### Analysis of results from discontinued operations

SEK M	2013	2012
<b>Net sales</b>	-	<b>3,975</b>
Cost of goods sold	-	-3,480
<b>Gross profit</b>	-	<b>495</b>
Selling expenses	-	-72
Administrative expenses	-	-107
R&D costs	-	-148
Other operating income	-	216
Other operating expenses	-39	-39
Share of profit in associated companies	-	8
<b>Operating profit</b>	<b>-39</b>	<b>353</b>
Financial income	-	1
Financial expenses	-	-36
<b>Profit before tax</b>	<b>-39</b>	<b>318</b>
Tax	-	-49
<b>Net profit</b>	<b>-39</b>	<b>269</b>

## Note 26

### Equity

#### Specification of other reserves

SEK M	Hedging reserve		Translation reserve		Total	
	2013	2012	2013	2012	2013	2012
Opening balance, translation differences	-75	-83	-1,139	-563	-1,214	-646
<i>Cash-flow hedging</i>						
Fair value	72	0			72	0
Tax on fair value	-16	0			-16	0
Transfers to profit and loss	-7	10			-7	10
Tax on transfers to profit and loss	2	-2			2	-2
Changes for the year attributable to translation of companies after tax			141	-972	141	-972
Hedging of net investment after tax			-151	396	-151	396
<b>Closing balance</b>	<b>-24</b>	<b>-75</b>	<b>-1,149</b>	<b>-1,139</b>	<b>-1,173</b>	<b>-1,214</b>

Accumulated translation differences are recorded from January 1, 2004.

Of transfers from the hedging reserve to profit and loss during 2013, SEK 2 M (neg: 3) caused a deterioration in the Group's financial interest expenses and SEK 9 M (neg: 7) caused an improvement in operating profit. The Board of Directors and President propose that a dividend of SEK 3.25 (3.00) per share to be paid for 2013, totaling SEK 881 M (813).

Trelleborg AB's share capital at December 31, 2013 amounted to SEK 2,620,360,569, distributed among 271,071,783 shares, with a par value of SEK 9.67 each.

Class of share	No. of shares	% of total	No. of votes	% of total
Serie A	28,500,000	10.51	285,000,000	54.02
Serie B	242,571,783	89.49	242,571,783	45.98
<b>Total</b>	<b>271,071,783</b>	<b>100.00</b>	<b>527,571,783</b>	<b>100.00</b>

#### Change in total number of shares

	2013	2012
January 1	271,071,783	271,071,783
Change during the year	-	-
<b>December 31</b>	<b>271,071,783</b>	<b>271,071,783</b>

No treasury shares are held.

## Note 27

### Interest-bearing liabilities

#### Non-current interest-bearing liabilities

SEK M	2013	2012
Liabilities to credit institutions	4,871	4,920
Other interest-bearing liabilities	3	22
<b>Total</b>	<b>4,874</b>	<b>4,942</b>

#### Current interest-bearing liabilities

SEK M	2013	2012
Liabilities to credit institutions	1,560	1,939
Bank overdraft facilities	330	291
Liabilities to joint venture/associated companies	41	101
Other interest-bearing liabilities	14	20
Derivative instruments (Note 23)	78	82
<b>Total</b>	<b>2,023</b>	<b>2,433</b>
<b>Total interest-bearing liabilities</b>	<b>6,897</b>	<b>7,375</b>

Since borrowing essentially only takes place at variable interest, the fair value is deemed to correspond to the carrying amount.

#### The Group's outstanding interest-bearing liabilities at year-end 2013, adjusted for any derivative financial instruments, have the following currency distribution, effective interest rates and fixed-interest terms

	Amount SEK M		Effective interest rate, %		Fixed-interest term adjusted for any derivatives. No. of days	
	2013	2012	2013	2012	2013	2012
SEK	254	-376	2.1	0.3	861	1
USD	1,888	2,190	2.1	2.3	676	455
EUR	3,954	4,367	2.0	2.0	651	291
GBP	470	604	2.6	2.3	751	687
Other	331	590	1.0	4.0	21	75
<b>Total</b>	<b>6,897</b>	<b>7,375</b>	<b>2.0</b>	<b>2.4</b>	<b>642</b>	<b>370</b>

#### The Group's interest-bearing liabilities (utilized amounts at closing date)

	2013		2012	
	SEK M	Expiry, year	SEK M	Expiry, year
<b>Non-current</b>				
Syndicated loan, EUR tranche EUR 750 M	627	2018	1,078	2016
Syndicated loan, USD tranche USD 625 M	1,938	2018	2,062	2016
Medium Term Note EUR 50 M	448	2018	431	2018
Medium Term Note EUR 110 M	985	2017	949	2017
Bond, EUR 50 M	448	2015	431	2015
Schuldscheindarlehen EUR 41 M + EUR 14 M	492	2019	-	-
Other non-current loans	-67	2015-2018	-31	2014-2016
Other interest-bearing liabilities	3	2015	22	2014-2015
<b>Total non-current</b>	<b>4,874</b>		<b>4,942</b>	
<b>Current</b>				
Commercial paper program	1,463	2014	1,538	2013
Overdraft facilities	330	2014	291	2013
Other current loans	97	2014	401	2013
Interest-bearing liabilities to joint venture/ associated companies	41	2014	101	2013
Other interest-bearing liabilities	14	2014	20	2013
Derivative instruments	78	2014	82	2013
<b>Total current</b>	<b>2,023</b>		<b>2,433</b>	
<b>Total</b>	<b>6,897</b>		<b>7,375</b>	

#### Committed confirmed and uncommitted confirmed credit facilities

SEK M	2013			2012		
	Total	Utilized	Unutilized	Total	Utilized	Unutilized
<i>Committed confirmed credit facilities</i>						
Syndicated loan EUR 750 M + USD 625 M (expires 2018)	10,783	2,565	8,218	10,542	3,140	7,402
Overdraft facilities (expire 2014)	428	89	339	376	92	284
<b>Total</b>	<b>11,211</b>	<b>2,654</b>	<b>8,557</b>	<b>10,918</b>	<b>3,232</b>	<b>7,686</b>
<i>Uncommitted confirmed credit facilities</i>						
Overdraft facilities	1,266	241	1,025	1,286	199	1,087

In addition to the above credit facilities, the Group also commanded unconfirmed credit facilities amounting to approximately SEK 1,000 M at year-end 2013.

The EUR 750 M and USD 625 M syndicated loan maturing in 2018 is subject to one financial covenant that stipulates a maximum debt/equity ratio. Per the end of 2013, there was ample headroom in relation to this covenant.

## Note 28

### Financial risk management

For a description of the Group's financial risks and policies regarding financial risks, see the "Risk management" section on pages 48-49.

#### Translation risks – balance sheet

When translating the balance sheets of the Group's foreign subsidiaries to SEK, there is a risk that the Group's balance sheet will be impacted by changes in exchange rates. The Group has significant net investments in foreign subsidiaries and joint ventures/associated companies.

If SEK appreciates by 1 percentage point in relation to all currencies in which the Trelleborg Group has foreign net investments, there would be a negative change in shareholders' equity of SEK 133 M (neg: 120). Currency distributions, degree of hedging and sensitivity analysis are presented in the table below.

Currency	Net investment, SEK M	Currency hedging, %	Effect on equity, if SEK 1% stronger, SEK M
EUR	11,196	58	-61
GBP	2,406	46	-16
USD	2,836	77	-11
Other	5,502	20	-45
<b>Total 2013</b>	<b>21,940</b>	<b>50</b>	<b>-133</b>
<b>Total 2012</b>	<b>20,253</b>	<b>54</b>	<b>-120</b>

#### Interest-rate risk

The Group seeks a balance between a reasonable current cost of borrowing and the risk of having a significantly negative impact on earnings in the event of a sudden major movement in interest rates. Trelleborg employs interest-rate hedging where appropriate.

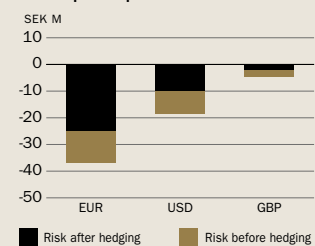
Trelleborg's net financial items improved in 2013 as a result of lower interest rates and lower average net debt. The Group's average interest-bearing net debt amounted to SEK 5,890 M (6,218) during the year. Net financial items corresponded to 2.7 percent (3.0) of the average interest-bearing net debt. Net interest items corresponded to 1.8 percent (2.3), adjusted for interest expenses of SEK 36 M related to the European Commission's ruling relating to the Group's participation in a marine hose cartel. The interest expense is attributable to the appeal period (2009-2013).

At year-end, gross loans, including derivative instruments, had an average fixed-interest term of 21 months (12 months) and interest-bearing investments 7 months (2). The average remaining period of fixed interest on net debt at year-end was about 25 months (16).

Based on the level of interest-bearing net debt on December 31, 2013, a 1 percentage point rise in market interest rates in all currencies in which the Group has loans or investments would have a negative impact on financial net of approximately SEK 28 M (neg: 25) for 2014. The currencies with the greatest impact are EUR and USD. Taking into account the interest-rate hedges in place at year-end 2013, and for which hedge accounting has been applied, an increase of 1 percentage point in the market interest rates in currencies that have been hedged would have a positive impact on comprehensive income of SEK 84 M (53) after tax effects.

For further analysis of the accounting of the Group's borrowing, see Note 27. Outstanding interest-bearing investments are recognized in Notes 16, 22 and 24.

#### Impact in 2014 on consolidated interest expenditure of a one percent point increase in market interest rates



#### Financial credit risk exposure

The Group's Treasury Policy contains a special counterparty regulation specifying the maximum credit risk exposure to various counterparties. A follow-up in relation to credit limits is conducted on an ongoing basis. Counterparties have been subdivided into three categories: A, B and C.

Category A contains counterparties and their fully guaranteed subsidiaries that hold Issuer Ratings from two of the following three rating institutes with a minimum of the following ratings or better: Moody's (Aa3/stab/P-1), Standard & Poor's (AA-/stab/A-1), Fitch (AA-/stab/F1). Loans from the Trelleborg Group to institutions in category A may not exceed SEK 1,000 M or equivalent, including the value of unrealized gains in derivative instruments.

Category B comprises counterparties and their fully guaranteed subsidiaries that cannot be included in category A and that hold an Issuer Rating from two of the following three rating institutes with a minimum of the following rating or better: Moody's (A3/stab/P-1), Standard & Poor's (A-/stab/A-1), Fitch (A-/stab/F1). Counterparties in category B may borrow a maximum of SEK 500 M or equivalent, including the value of unrealized gains in derivative instruments, from the Trelleborg Group.

Category C encompasses counterparties outside categories A and B that the Group requires to fulfill its operational needs. Exposure to counterparties in category C may not exceed SEK 50 M per counterparty.

The table below presents the Group's credit risk exposure for interest-bearing receivables, cash and cash equivalents and derivative instruments at December 31, 2013 subdivided by category:

Category	Interest-bearing receivables		Cash and cash equivalents		Derivative instruments – unrealized gains, gross		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
SEK M								
A	19	23	143	81	21	43	183	147
B	54	53	460	321	68	119	582	493
C	0	19	290	258	0	0	290	277
<b>Total</b>	<b>73</b>	<b>95</b>	<b>893</b>	<b>660</b>	<b>89</b>	<b>162</b>	<b>1,055</b>	<b>917</b>

Exposure in categories A and B was in line with the Treasury Policy. The total credit exposure in category C at year-end 2013 was divided among more than 35 counterparties. All credit exposures in category C amounted to less than SEK 50 M with one exception: SEK 51 M with HSBC Bank Brazil SA.

Credit risk exposure associated with derivative instruments is determined as the fair value on the closing date. On December 31, 2013, the total counterparty risk associated with derivative instruments (calculated as net receivable per counterparty) was SEK 6 M (30), taking into account ISDA agreements.

In addition to the amounts presented in the table above, the Group also has interest-bearing loan receivables of SEK 183 M (236) due from third parties and interest-bearing receivables of SEK 50 M (888) from the joint venture.

With the exception of what was described above, no credit limits were exceeded in 2013 or 2012 and management does not anticipate any losses due to non-payment by these counterparties.

#### Liquidity analysis for financial instruments

The table below shows the Group's financial liabilities and the net settlement of derivative instruments comprising financial liabilities, subdivided into the periods remaining on the closing date until the agreed date of maturity. The amounts stated in the table comprise contractual, undiscounted cash flows.

▶ Cont.

**At December 31, 2013**

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowing, incl. interest	-2,059	-5,479	-	-7,538
Interest-rate swaps with negative fair value	-53	-60	-	-113
Accounts payable	-1,986	-	-	-1,986
<b>Total</b>	<b>-4,098</b>	<b>-5,539</b>	<b>-</b>	<b>-9,637</b>
Accounts receivable	3,350	-	-	3,350
Interest-rate swaps with positive fair value	-	17	1	18
<b>Net flow</b>	<b>-748</b>	<b>-5,522</b>	<b>1</b>	<b>-6,269</b>

**At December 31, 2012**

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
Borrowing, incl. interest	-2,467	-5,263	-	-7,730
Interest-rate swaps with negative fair value	-67	-110	-	-177
Accounts payable	-2,016	-	-	-2,016
<b>Total</b>	<b>-4,550</b>	<b>-5,373</b>	<b>-</b>	<b>-9,923</b>
Accounts receivable	3,043	-	-	3,043
<b>Net flow</b>	<b>-1,507</b>	<b>-5,373</b>	<b>-</b>	<b>-6,880</b>

The table below shows the Group's financial derivative instruments that will be settled gross, subdivided into the periods remaining on the closing date until the agreed date of maturity. The amounts stated in the table comprise contractual, undiscounted cash flows.

**At December 31, 2013**

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
<i>Foreign-exchange contracts</i>				
-outflow	-14,769	-	-	-14,769
-inflow	14,708	-	-	14,708
<b>Total</b>	<b>-61</b>	<b>-</b>	<b>-</b>	<b>-61</b>

**At December 31, 2012**

SEK M	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
<i>Foreign-exchange contracts</i>				
-outflow	-14,285	-	-	-14,285
-inflow	14,243	-	-	14,243
<i>Basis swap contracts</i>				
-outflow	-262	-	-	-262
-inflow	283	-	-	283
<b>Total</b>	<b>-21</b>	<b>-</b>	<b>-</b>	<b>-21</b>

**Note 29****Financial instruments by category and measurement level**

A description of each category and the calculation of fair value are presented in the section "Accounting policies" and in the table below.

**At December 31, 2013**

SEK M	Loan receivable and accounts receivable	Assets at fair value in profit and loss		Derivatives used for hedging purposes		Total SEK M
		Carrying amount	Measurement level	Carrying amount	Measurement level	
<i>Assets in the balance sheet</i>						
	-	21	2	71	2	92
	123	-	-	-	-	123
	3,350	-	-	-	-	3,350
	183	-	-	-	-	183
	893	-	-	-	-	893
<b>Total</b>	<b>4,549</b>	<b>21</b>	<b>2</b>	<b>71</b>	<b>2</b>	<b>4,641</b>

SEK M	Other financial liabilities	Liabilities at fair value in profit and loss		Derivatives used for hedging purposes		Total SEK M
		Carrying amount	Measurement level	Carrying amount	Measurement level	
<i>Liabilities in the balance sheet</i>						
	-	43	2	146	2	189
	4,874	-	-	-	-	4,874
	2,023	-	-	-	-	2,023
	1,986	-	-	-	-	1,986
<b>Total</b>	<b>8,883</b>	<b>43</b>	<b>2</b>	<b>146</b>	<b>2</b>	<b>9,072</b>

The measurement of all financial assets and liabilities at fair value on the closing date was based on observable data (Level 2 in accordance with the fair-value hierarchy).

**Measurement techniques used to measure fair values in Level 2**

Derivatives in Level 2 comprise foreign-exchange forwards and interest-rate swaps, and are primarily used for hedging purposes, but also for trading. Fair-value measurement for foreign-exchange forwards is based on published forward rates in an active market. Measurement of interest-rate swaps is based on forward interest rates based on observable Swedish yield curves. Discounting has no significant impact on the measurement of derivatives in Level 2.

**Disclosures on fair value of borrowing and other financial instruments**

Essentially all loans have variable interest rates and thus their fair value is largely deemed to correspond to their carrying amounts. The fair value of other financial instruments is also deemed to correspond to their carrying amounts.

**At December 31, 2012**

SEK M	Loan receivable and accounts receivable	Assets at fair value in profit and loss		Derivatives used for hedging purposes		Total
		Carrying amount	Measurement level	Carrying amount	Measurement level	
<i>Assets in the balance sheet</i>						
	-	40	2	124	2	164
	187	25	2	-	-	212
	3,043	-	-	-	-	3,043
	937	70	2	-	-	1,007
	660	-	-	-	-	660
<b>Total</b>	<b>4,827</b>	<b>135</b>	<b>2</b>	<b>124</b>	<b>2</b>	<b>5,086</b>

SEK M	Other financial liabilities	Liabilities at fair value in profit and loss		Derivatives used for hedging purposes		Total
		Carrying amount	Measurement level	Carrying amount	Measurement level	
<i>Liabilities in the balance sheet</i>						
	-	80	2	187	2	267
	4,942	-	-	-	-	4,942
	2,433	-	-	-	-	2,433
	2,016	-	-	-	-	2,016
<b>Total</b>	<b>9,391</b>	<b>80</b>	<b>2</b>	<b>187</b>	<b>2</b>	<b>9,658</b>

**Offsetting of financial derivative instruments**

To limit credit risks in receivables from banks related to derivative instruments, Trelleborg has entered into netting agreements, under ISDA agreements, with most of its counterparties.

The disclosures in the table below include financial assets and liabilities that are subject to legally binding framework agreements on netting or similar agreements that cover financial instruments.

SEK M	On December 31, 2013			On December 31, 2012		
	Financial assets	Financial liabilities	Total	Financial assets	Financial liabilities	Total
Gross amount	92	-189	-97	164	-267	-103
Amount offset	0	0	0	0	0	0
<b>Recognized in balance sheet</b>	<b>92</b>	<b>-189</b>	<b>-97</b>	<b>164</b>	<b>-267</b>	<b>-103</b>
Amounts encompassed by netting agreements	-83	83	0	-134	134	0
<b>Net amount after netting agreements</b>	<b>9</b>	<b>-106</b>	<b>-97</b>	<b>30</b>	<b>-133</b>	<b>-103</b>

**Note 30****Non-interest-bearing liabilities****Other non-current liabilities**

SEK M	2013	2012
Other non-interest-bearing liabilities	18	45
Derivative instruments (Note 23)	59	110
<b>Total</b>	<b>77</b>	<b>155</b>

**Other current liabilities**

SEK M	2013	2012
Advance payment from customers	148	181
Accounts payable	1,986	2,016
Bills payable	5	5
Liabilities to joint venture/associated companies	10	15
Other non-interest-bearing liabilities	324	294
Derivative instruments (Note 23)	46	69
Accrued expenses and prepaid income (Note 33)	1,350	1,173
<b>Total</b>	<b>3,869</b>	<b>3,753</b>
<b>Total non-interest-bearing liabilities</b>	<b>3,946</b>	<b>3,908</b>

Liabilities are recognized at amounts that correspond to fair value.

## Note 31

### Pension provisions and similar items

#### Specification of costs

SEK M	2013	2012 <sup>1)</sup>
Costs for services during current year <sup>2)</sup>	37	38
Interest on the obligation	43	49
Anticipated return on plan assets	-26	-25
Actuarial gains and losses recognized for the year	0	17
Curtailement and settlement	-3	-6
Past service cost	-13	-
<b>Total cost of defined benefit plans, continuing operations</b>	<b>38</b>	<b>73</b>
Cost of defined contribution plans	140	154
<b>Total pension costs</b>	<b>178</b>	<b>227</b>

<sup>1)</sup> Due to the amendments to IAS 19, the amounts for 2012 have been restated. This applies to all tables in Note 31 where this note reference is provided.

<sup>2)</sup> Includes administration expenses, taxes and risk premiums.

#### Specification of pension liability in the balance sheet

SEK M	2013	2012 <sup>1)</sup>
Present value of funded obligations	806	819
Fair value of plan assets	-736	-684
<b>Surplus/deficit in funded plans</b>	<b>70</b>	<b>135</b>
Present value of unfunded obligations	380	385
<b>Total defined benefit plans</b>	<b>450</b>	<b>520</b>
<b>Defined contribution plans</b>	<b>4</b>	<b>7</b>
<b>Net pension liability</b>	<b>454</b>	<b>527</b>
of which, recognized as plan assets	40	73
<b>Closing balance, pension liability</b>	<b>494</b>	<b>600</b>

#### Change in defined benefit obligations

SEK M	Present value of obligation	Fair value of plan assets	Total
<b>On January 1, 2012<sup>1)</sup></b>	<b>1,546</b>	<b>-750</b>	<b>796</b>
Costs for services during current year <sup>3)</sup>	35	0	35
Interest expenses/(income)	49	-25	24
Past service cost	-3	0	-3
	<b>81</b>	<b>-25</b>	<b>56</b>
Revaluations:			
Return on plan assets excluding amounts included in interest expenses/(income)	0	-19	-19
(Gain)/loss due to changed financial assumptions	40	0	40
Experience-based (gains)/losses	-11	0	-11
	<b>29</b>	<b>-19</b>	<b>10</b>
Exchange-rate differences	-49	24	-25
Contributions:			
Employer	0	-117	-117
Employees encompassed by the plan	3	-3	0
Payments:			
Payments made from plans	-46	46	0
Payments made directly from companies	-30	30	0
Assumed through business combinations	-328	128	-200
Other changes	-2	2	0
<b>On December 31, 2012<sup>1)</sup></b>	<b>1,204</b>	<b>-684</b>	<b>520</b>
Impact of IAS19R, taxes and risk distribution	4	0	4
<b>On January 1, 2013</b>	<b>1,208</b>	<b>-684</b>	<b>524</b>
Costs for services during current year <sup>3)</sup>	33	4	37
Interest expenses/(income)	43	-26	17
Past service cost	-13	0	-13
Gains and losses from settlements	-3	0	-3
	<b>60</b>	<b>-22</b>	<b>38</b>
Revaluations:			
Return on plan assets excluding amounts included in interest expenses/(income)	0	-30	-30
(Gain)/loss due to changed demographic assumptions	9	0	9
(Gain)/loss due to changed financial assumptions	-31	0	-31
Experience-based (gains)/losses	9	0	9
	<b>-13</b>	<b>-30</b>	<b>-43</b>
Exchange-rate differences	2	1	3
Contributions:			
Employer	0	-71	-71
Employees encompassed by the plan	3	-3	0
Payments:			
Payments made from plans	-45	45	0
Payments made directly from companies	-29	29	0
Assumed through business combinations	0	-1	-1
<b>On December 31, 2013</b>	<b>1,186</b>	<b>-736</b>	<b>450</b>

<sup>3)</sup> Including administrative expenses.

#### Defined benefit obligation and composition of plan assets per country

SEK M	2013			
	U.S.	U.K.	Other	Total
Present value of funded obligation	342	170	294	806
Fair value of plan assets	-299	-204	-233	-736
<b>Total</b>	<b>43</b>	<b>-34</b>	<b>61</b>	<b>70</b>
Present value of unfunded obligations	7	0	373	380
<b>Total defined benefit plans</b>	<b>50</b>	<b>-34</b>	<b>434</b>	<b>450</b>

SEK M	2012 <sup>1)</sup>			
	U.S.	U.K.	Other	Total
Present value of funded obligation	385	174	260	819
Fair value of plan assets	-262	-206	-216	-684
<b>Total</b>	<b>123</b>	<b>-32</b>	<b>44</b>	<b>135</b>
Present value of unfunded obligations	8	0	377	385
<b>Total defined benefit plans</b>	<b>131</b>	<b>-32</b>	<b>421</b>	<b>520</b>

	2013			
	U.S.	U.K.	Other	Average
<b>Key actuarial assumptions, %</b>				
Discount rate	4.9	4.3	3.5	4.0
Inflation	3.5	2.2	1.9	2.4
Salary increases	3.5	0.0	2.8	3.1

	2012			
	U.S.	U.K.	Other	Average
<b>Key actuarial assumptions, %</b>				
Discount rate	4.1	4.3	3.2	3.6
Inflation	3.5	2.2	1.9	2.5
Salary increases	3.5	0.0	2.5	3.0

	2013			
	U.S.	U.K.	Other	Average
<b>Life expectancy</b>				
Life expectancy for a 45 year-old man at the age of 65	20.5	24.0	21.2	21.4
Life expectancy for a 65 year-old man at the age of 65	19.1	23.0	20.8	20.6
Life expectancy for a 45 year-old woman at the age of 65	22.4	26.2	24.5	24.1
Life expectancy for a 65 year-old woman at the age of 65	20.9	25.1	24.0	23.3

#### Sensitivity in the defined benefit obligation to changes in the key weighted assumptions

SEK M	Increase of +0.25% in assumptions <sup>4)</sup>			
	U.S.	U.K.	Other	Total
<b>Impact of the defined benefit obligation</b>				
Discount rate	-10.4	-5.3	-21.9	-37.6
Inflation	0.0	2.8	11.6	14.4
Salary increases	0.0	0.0	7.5	7.5

	Increase of 1 year in assumption			
	U.S.	U.K.	Other	Total
Life expectancy	0.8	4.1	9.9	14.8

SEK M	Decrease of -0.25% in assumptions <sup>4)</sup>			
	U.S.	U.K.	Other	Total
<b>Impact of the defined benefit obligation</b>				
Discount rate	11.5	5.7	23.5	40.7
Inflation	0.0	-1.9	-11.1	-13.0
Salary increases	0.0	0.0	-7.2	-7.2

	Decrease of 1 year in assumption <sup>5)</sup>			
	U.S.	U.K.	Other	Total
Life expectancy				

<sup>4)</sup> The increase in the defined benefit obligation is shown as positive and the decrease as negative.

<sup>5)</sup> Not applicable.

The sensitivity analyses above are based on a change in one assumption, with all other assumptions remaining constant. In practice, it is unlikely that this will occur and some of the changes in the assumptions may be correlated. The calculation of sensitivity in the defined benefit obligation for key actuarial assumptions uses the same method (the present value of the defined benefit obligation applying the projected unit credit method at the end of the reporting period) as used in the calculation of pension liabilities recognized in the statement of financial position.

#### Composition of plan assets

SEK M	2013			
	Listed	Unlisted	Total	%
Equity instruments	233	0	233	31.7
Debt instruments	228	0	228	31.0
Properties	15	0	15	2.0
Other	73	187	260	35.3
<b>Total</b>	<b>549</b>	<b>187</b>	<b>736</b>	<b>100.0</b>

SEK M	2012			
	Listed	Unlisted	Total	%
Equity instruments	251	0	251	36.7
Debt instruments	164	0	164	24.0
Properties	15	0	15	2.1
Other	71	183	254	37.2
<b>Total</b>	<b>501</b>	<b>183</b>	<b>684</b>	<b>100.0</b>



Contributions to plans for post-employment benefits for the 2014 fiscal year are expected to amount to SEK 87 M. The weighted average term of the pension obligation is 14 years.

#### Pension insurance with Alecta

Retirement pension and family pension obligations for salaried employees in Sweden are secured through pension insurance with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 3, this constitutes a multi-employer defined benefit plan. For the 2013 fiscal year, the Group did not have access to such information that would enable the Group to report its proportionate share of the plan's obligations, plan assets and costs, which meant that it was not possible to report the plan as a defined benefit plan. Consequently, the ITP pension plan secured through insurance with Alecta is recorded as a defined contribution plan. The premium for the defined benefit retirement pension is individual and is determined by such factors as the insured's age, salary and previously earned pension. Expected contributions for pension insurance in the next reporting period taken out with Alecta total SEK 9 M. The Group pays an insignificant amount of this plan.

The collective consolidation ratio reflects the market value of Alecta's assets as a percentage of insurance obligations, calculated in accordance with Alecta's actuarial assumptions, which do not correspond with IAS 19. Collective consolidation, in the form of collective consolidation ratio, is normally permitted to vary between 125 percent and 155 percent. If Alecta's collective consolidation ratio falls below 125 percent or exceeds 155 percent, measures are taken to create conditions to return the collective consolidation ratio to the normal interval. Alecta's surplus can be distributed to the policyholders and/or the insured if the collective consolidation ratio exceeds 155 percent. However, Alecta applies premium reductions to avoid a surplus from arising. At December 31, 2013, Alecta's surplus corresponded to a collective consolidation ratio of 149 percent (130).

#### Transition effect of new accounting policies, IAS 19

Impact on opening balances at January 1, 2012 and impact on recognized comprehensive income 2012:

	Recognized closing balance 2012	Impact on opening balance 2012	Impact on comprehensive income 2012	Adjusted closing balance 2012
Pension obligation <sup>1)</sup>	369	231	–	600
Deferred tax assets	710	74	–	784
Equity	14,134	–173	16	13,977

<sup>1)</sup> Of which defined benefit plans 289 231 – 520

## Note 32

### Other provisions

SEK M	Restructuring programs		Other provisions		Total	
	2013	2012	2013	2012	2013	2012
Opening balance	83	60	339	366	422	426
Reclassification	–2	0	–8	–12	–10	–12
Reversals	0	–6	–29	–31	–29	–37
Provisions for the year	108	83	173	166	281	249
Acquisitions for the year	0	0	0	0	0	0
Divestments	0	–6	0	–15	0	–21
Utilized during the year	–69	–46	–194	–124	–263	–170
Translation difference	2	–2	2	–11	4	–13
<b>Closing balance</b>	<b>122</b>	<b>83</b>	<b>283</b>	<b>339</b>	<b>405</b>	<b>422</b>
Of which, non-current provisions					101	82
Of which, current provisions					304	340
Of which, provisions for environmental commitments					61	55

Closing balances for provisions for restructuring programs relate primarily to reorganizations and the focusing of operations in Trelleborg Offshore & Construction, Trelleborg Industrial Solutions, Trelleborg Wheel Systems, and Trelleborg Sealing Solutions.

Other provisions relate to:

Provisions of varying sizes in a number of units for environmental commitments, guarantee provisions and insurance obligations.

## Note 33

### Accrued expenses and prepaid income

SEK M	2013	2012
Interest	14	24
Wages and salaries	613	501
Payroll overheads	135	120
Pension expenses	12	11
Tools	7	2
Derivative instruments (Note 23)	6	6
Other	563	509
<b>Total</b>	<b>1,350</b>	<b>1,173</b>

## Note 34

### Contingent liabilities and pledged assets

SEK M	2013	2012
<b>Contingent liabilities</b>		
Pension obligations	6	5
Guarantees and other contingent liabilities <sup>1)</sup>	31	46
<b>Total</b>	<b>37</b>	<b>51</b>
<b>Pledged assets</b>		
Plants and machinery	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

<sup>1)</sup> Pertains to TrelleborgVibracoustic SEK 31 M (44).

Liabilities are recognized at amounts corresponding to fair value.

## Note 35

### Acquisitions

#### 2013

A number of acquisitions took place during the year, although none were of any significant nature, individually or collectively.

#### Acquisition of marine docking and mooring solutions operation

Trelleborg acquired Sea Systems Technology Ltd. The acquisition broadens Trelleborg's product portfolio of berthing, docking and mooring solutions for harbors and ships. Included in the Trelleborg Offshore & Construction business area.

#### Acquisition of industrial tire distributor

Operation from the Dutch company Industriebanden Beheer B.V. The acquisition strengthens and enlarges Trelleborg's European industrial tire distribution network. Included in the Trelleborg Wheel Systems business area.

#### Acquisition of niche company in offshore oil & gas

Trelleborg acquired Ambler Technologies Ltd. The acquisition strengthens Trelleborg's position in oil and gas exploration and extraction, particularly in buoyancy modules for Remotely Operated Vehicles (ROVs). Included in the Trelleborg Offshore & Construction business area.

#### Acquisition of cryogenic technology

Trelleborg acquired SBM Offshore's cryogenic hose system. The acquisition strengthens Trelleborg's offering in the supply of innovative and critical equipment for the growing floating liquefied natural gas (FLNG) market. Included in the Trelleborg Industrial Solutions business area.

#### 2012

#### Printing blankets operation

Trelleborg acquired Printec, a printing blankets business of Day Brazil SA. The acquisition strengthens Trelleborg's leading position in the area of polymer-coated fabrics for use in offset printing. The operations are included in the Trelleborg Coated Systems business area.

#### Maine Industrial Tire Group

Maine Industrial Tire has production facilities in the U.S. and China. Annual sales amount to approximately SEK 600 M and approximately 650 people are employed in the companies. The acquisition strengthens Trelleborg's leading global position in industrial tires. The operations are included in the Trelleborg Wheel Systems business area.

## Note 36

### Events after the closing date

#### Acquisition of industrial tire distributor

Trelleborg Wheel Systems finalized the acquisition of the industrial tire business of the Italian company Pircher Alfred s.a.s. The business specializes in the distribution and service of industrial tires, such as those fitted on forklift trucks. The acquisition further strengthens and enlarges Trelleborg's European industrial tire distribution network. The transaction was consolidated from January 1, 2014.

# Parent Company, Trelleborg AB

## Income statements

SEK M	Note	2013	2012
Administrative expenses	37-38,42	-311	-313
Other operating income	39	220	221
<b>Operating loss</b>	<b>40-41</b>	<b>-91</b>	<b>-92</b>
Financial income and expenses	43	-721	-652
<b>Loss after financial items</b>		<b>-812</b>	<b>-744</b>
Appropriations	44	842	1,372
Tax	45	18	-88
<b>Net profit</b>		<b>48</b>	<b>540</b>

## Statements of comprehensive income

<b>Net profit</b>	<b>48</b>	<b>540</b>
<b>Total comprehensive income</b>	<b>48</b>	<b>540</b>

## Cash-flow statements

<i>Operating activities</i>		
Operating loss	-91	-92
<i>Adjustment for items not included in cash flow:</i>		
Depreciation of property, plant and equipment	3	3
Amortization of intangible assets	1	1
Divestments and disposals	0	0
Other items not included in cash flow	22	24
	<b>-65</b>	<b>-64</b>
Cash dividend received	372	320
Interest received and other financial items	15	24
Interest paid and other financial items	-736	-899
Tax paid	-83	-2
<b>Cash flow from operating activities before changes in working capital</b>	<b>-497</b>	<b>-621</b>
<i>Cash flow from changes in working capital</i>		
Change in operating receivables	13	-18
Change in operating liabilities	-29	32
<b>Cash flow from operating activities</b>	<b>-513</b>	<b>-607</b>
<i>Investing activities</i>		
Acquisition of subsidiaries/capital contribution	-635	-1,053
Divestment of subsidiaries	-	584
Acquisition of other shares/capital contribution	-	-2
Gross capital expenditures for property, plant and equipment	-3	-4
Gross capital expenditures for intangible assets	-	-1
Sale of non-current assets	-	2
<b>Cash flow from investing activities</b>	<b>-638</b>	<b>-474</b>
<i>Financing activities</i>		
Change in interest-bearing investments	2,057	82
Change in interest-bearing liabilities	-93	1,677
Dividend paid – shareholders of the Parent Company	-813	-678
<b>Cash flow from financing activities</b>	<b>1,151</b>	<b>1,081</b>
<b>Cash flow for the year</b>	<b>0</b>	<b>0</b>
<i>Cash and cash equivalents:</i>		
At January 1	0	0
<b>Cash and cash equivalents, December 31</b>	<b>0</b>	<b>0</b>

## Parent Company, Trelleborg AB

## Balance sheets

December 31, SEK M	Note	2013	2012
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	46	24	24
Intangible assets	47	1	2
Financial non-current assets	48-49	36,044	35,744
Deferred tax assets	50	–	–
<b>Total non-current assets</b>		<b>36,069</b>	<b>35,770</b>
<i>Current assets</i>			
Current operating receivables	51	72	85
Current tax assets		17	–
Interest-bearing receivables	52	894	2,102
Cash and cash equivalents		0	0
<b>Total current assets</b>		<b>983</b>	<b>2,187</b>
<b>TOTAL ASSETS</b>		<b>37,052</b>	<b>37,957</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital		2,620	2,620
Statutory reserve		1,130	1,130
<b>Total restricted equity</b>		<b>3,750</b>	<b>3,750</b>
<i>Non-restricted equity</i>			
Profit brought forward		8,776	9,049
Net profit for the year		48	540
<b>Total non-restricted equity</b>		<b>8,824</b>	<b>9,589</b>
<b>Total equity</b>		<b>12,574</b>	<b>13,339</b>
<b>Untaxed reserves</b>	44	<b>19</b>	<b>105</b>
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	56	33	33
Pension provisions and similar items	54	6	6
Deferred tax liabilities	50	2	3
Other provisions	55	10	9
<b>Total non-current liabilities</b>		<b>51</b>	<b>51</b>
<i>Current liabilities</i>			
Interest-bearing current liabilities	56	24,247	24,210
Tax liabilities		–	83
Other current liabilities	57-58	161	169
<b>Total current liabilities</b>		<b>24,408</b>	<b>24,462</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,052</b>	<b>37,957</b>
Contingent liabilities	59	7 649	8,134
Pledged assets	59	–	–

## Change in equity

Shareholders' equity SEK M	Restricted equity		Non-restricted equity		Total	
	2013	2012	2013	2012	2013	2012
Opening balance, January 1	3,750	3,750	9,589	9,727	13,339	13,477
<i>Changes for the year:</i>						
Dividend			–813	–678	–813	–678
Net profit for the year			48	540	48	540
<b>Closing balance, December 31</b>	<b>3,750</b>	<b>3,750</b>	<b>8,824</b>	<b>9,589</b>	<b>12,574</b>	<b>13,339</b>

See also Note 53.

## Note 37

### Employees and employee benefits

#### Average number of employees

	2013			2012		
	Women	Men	Total	Women	Men	Total
Sweden	15	25	40	16	25	41

#### Gender distribution in executive management positions, %

	2013	2012
Percentage of women in		
– executive positions	0	0
– on Board of Directors	29	29

### Employee benefits, other remuneration and payroll overheads

2013	Board and President	Other members of Group Management	Other employees	Total salaries	Payroll overheads	of which, pension costs
SEK M						
Sweden	23	16	31	70	40	14

See also Note 3

2012	Board and President	Other members of Group Management	Other employees	Total salaries	Payroll overheads	of which, pension costs
SEK M						
Sweden	22	15	34	71	41	15

See also Note 3

## Note 38

### Auditor's remuneration

SEK M	2013	2012
<i>PricewaterhouseCoopers</i>		
Audit assignment	4	5
Audit activities other than audit assignment	1	4
Tax consultancy services	2	1
Other services	2	6
<b>Total</b>	<b>9</b>	<b>16</b>

## Note 39

### Other operating income

SEK M	2013	2012
Sales of services to other Group companies	216	208
Sales of external services	2	11
Other	2	2
<b>Total</b>	<b>220</b>	<b>221</b>

## Note 40

### Expenses by nature

SEK M	2013	2012
Employee benefits	-110	-112
Depreciation/amortization	-4	-4
Other external costs	-197	-197
Other operating income/expenses	220	221
<b>Total</b>	<b>-91</b>	<b>-92</b>

## Note 41

### Exchange-rate differences that impact operating profit/loss

SEK M	2013	2012
Administration expenses	-1	-1
Other operating income/expenses	1	2
<b>Total</b>	<b>0</b>	<b>1</b>

## Note 42

### Depreciation of PPE and amortization of intangible assets

SEK M	2013	2012
Improvement expenses on buildings owned by others	-2	-1
Equipment, tools, fixtures and fittings	-1	-2
Capitalized expenditure for R&D and similar	-1	-1
<b>Total</b>	<b>-4</b>	<b>-4</b>

## Note 43

### Financial income and expenses

SEK M	2013	2012
<i>Income from participations in Group companies</i>		
Dividend	372	320
Impairment losses on shares in subsidiaries	-350	-66
Gain/loss from divestment/winding-up of subsidiary	-	58
<b>Total</b>	<b>22</b>	<b>312</b>
<i>Other interest income and similar profit items</i>		
Interest income, Group companies	10	27
Interest income, other	13	7
Exchange-rate differences	4	0
<b>Total</b>	<b>27</b>	<b>34</b>
<i>Interest expenses and similar loss items</i>		
Impairment of other non-current securities holdings	-1	-
Interest expenses, Group companies	-731	-965
Interest expenses, other	-5	-
Exchange-rate differences	-33	-33
<b>Total</b>	<b>-770</b>	<b>-998</b>
<b>Total financial income and expenses</b>	<b>-721</b>	<b>-652</b>

## Note 44

### Appropriations and untaxed reserves

SEK M	2013	2012
<i>Appropriations</i>		
Change in tax allocation reserve	86	-105
Group contributions received	853	1,686
Group contributions paid	-97	-209
<b>Total appropriations</b>	<b>842</b>	<b>1,372</b>
<i>Untaxed reserves</i>		
Tax allocation reserve, 2013 tax assessment	105	105
Reversal, tax allocation reserve	-86	-
<b>Total untaxed reserves</b>	<b>19</b>	<b>105</b>

## Note 45

### Income tax

SEK M	2013	2012
<i>Current tax expenses</i>		
Tax expenses/revenue for the period	0	-85
Adjustment of tax attributable to prior years	20	0
Other tax	-3	-1
<b>Total</b>	<b>17</b>	<b>-86</b>
<i>Deferred tax expenses (-)/revenue (+)</i>		
Deferred tax due to changed tax rates and other tax rules	-	1
Change in losses carried forward	1	-3
Deferred tax expenses/revenue on changes in temporary differences	0	0
<b>Total</b>	<b>1</b>	<b>-2</b>
<b>Total recognized tax expenses/revenue</b>	<b>18</b>	<b>-88</b>
<i>Reconciliation of tax</i>		
Profit/loss after financial items	-812	-744
Calculated Swedish income tax, 22%	179	196
Non-taxable dividends/income from shares in subsidiaries	82	99
Non-deductible impairment losses	-77	-17
Other non-deductible expenses/non-taxable revenue	-2	-5
Change in tax allocation reserve	-15	28
Group contributions received	-187	-444
Group contributions paid	21	55
Effect of change in tax rate on deferred tax	-	1
Tax attributable to prior years	20	-
Other tax	-3	-1
<b>Total recognized tax expenses/revenue</b>	<b>18</b>	<b>-88</b>

The applicable tax rate is 22 percent (26.3).

## Note 46

### Property, plant and equipment

SEK M	2013	2012
Improvement expenses on buildings owned by others	17	19
Equipment, tools, fixtures and fittings	7	5
<b>Total</b>	<b>24</b>	<b>24</b>

SEK M	Improvement expenses on buildings owned by others		Equipment, tools, fixtures and fittings		Total	
	2013	2012	2013	2012	2013	2012
<i>Accumulated cost</i>						
Balance, January 1	25	25	13	10	38	35
Capital expenditures			3	4	3	4
Divestments and disposals	-	-	-1	-1	-1	-1
<b>Accumulated cost, December 31</b>	<b>25</b>	<b>25</b>	<b>15</b>	<b>13</b>	<b>40</b>	<b>38</b>
<i>Accumulated depreciation according to plan</i>						
Balance, January 1	-6	-5	-8	-7	-14	-12
Divestments and disposals	-	-	1	1	1	1
Depreciation according to plan for the year	-2	-1	-1	-2	-3	-3
<b>Accumulated depreciation, December 31</b>	<b>-8</b>	<b>-6</b>	<b>-8</b>	<b>-8</b>	<b>-16</b>	<b>-14</b>
<b>Carrying amount</b>	<b>17</b>	<b>19</b>	<b>7</b>	<b>5</b>	<b>24</b>	<b>24</b>

Trelleborg AB has entered into operating lease agreements. Leasing costs for assets held via operating lease agreements are recognized as operating costs and amounted to SEK 2 M (2). Future payment for non-cancellable lease commitments amount to SEK 2 M (2) and fall due as follows:

SEK M	2013	2012
Year 1	1	1
Years 2-5	1	1
<b>Total</b>	<b>2</b>	<b>2</b>

## Note 47

### Intangible fixed assets

SEK M	2013	2012
Capitalized expenditure for development work and the equivalent	1	2
<b>Total</b>	<b>1</b>	<b>2</b>

SEK M	Capitalized expenditure for development work and the equivalent	
	2013	2012
<i>Accumulated cost</i>		
Balance, January 1	16	18
Capital expenditures	-	1
Investments and disposals	-	-3
<b>Accumulated cost, December 31</b>	<b>16</b>	<b>16</b>
<i>Accumulated amortization according to plan</i>		
Balance, January 1	-14	-14
Divestments and disposals	-	1
Amortization according to plan for the year	-1	-1
<b>Accumulated amortization, December 31</b>	<b>-15</b>	<b>-14</b>
<b>Carrying amount</b>	<b>1</b>	<b>2</b>

## Note 48

### Financial non-current assets

SEK M	2013	2012
Participations in Group companies (Note 17 and Note 49) <sup>1)</sup>	35,573	35,288
Receivables in Group companies	337	333
Loan receivables	120	108
Other non-current securities holdings	10	11
Other non-current receivables	4	4
<b>Total</b>	<b>36,044</b>	<b>35,744</b>

<sup>1)</sup> The difference between what is recognized in Note 49 and Note 17 pertains to transaction costs.

## Note 49

### Participations in Group companies

SEK M	2013	2012
Balance, January 1	35,288	34,387
<i>Add:</i>		
Acquisitions	-	13
Capital contributions	635	2,695
<i>Less:</i>		
Divestment/winding-up	-	-1,741
Impairment losses	-350	-66
<b>Carrying amount, December 31</b>	<b>35,573</b>	<b>35,288</b>

See also Note 17.

## Note 50

### Change in deferred tax on temporary differences and losses carried forward

SEK M	Losses carried forward		Temporary differences: Non-current assets		Total deferred tax asset/liability	
	2013	2012	2013	2012	2013	2012
Balance, January 1	0	-3	3	3	3	0
<i>Recognized in profit and loss:</i>						
Change in losses carried forward	-1	3	-	-	-1	3
<b>Total</b>	<b>-1</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>2</b>	<b>3</b>

See also Note 45.

## Note 51

### Current operating receivables

SEK M	2013	2012
Operating receivables, Group companies	38	43
Operating receivables, Group joint venture/associated companies	1	9
Other current receivables	25	27
Prepaid expenses and accrued income	8	6
<b>Total</b>	<b>72</b>	<b>85</b>

Carrying amount corresponds to fair value.

## Note 52

### Interest-bearing receivables

SEK M	2013	2012
Financial receivables, Group companies	853	1,894
Financial receivables, Group joint venture/associated companies	41	208
<b>Total</b>	<b>894</b>	<b>2,102</b>

Carrying amount corresponds to fair value.

## Note 53

### Shareholders' equity

SEK M	Restricted equity		Non-restricted equity		Total	
	2013	2012	2013	2012	2013	2012
Opening balance, January 1	3,750	3,750	9,589	9,727	13,339	13,477
<i>Changes for the year:</i>						
Dividend			-813	-678	-813	-678
Net profit for the year			48	540	48	540
<b>Closing balance, December 31</b>	<b>3,750</b>	<b>3,750</b>	<b>8,824</b>	<b>9,589</b>	<b>12,574</b>	<b>13,339</b>

Trelleborg AB's share capital at December 31, 2013 amounted to SEK 2,620,360,569, represented by 271,071,783 shares with a par value of SEK 9.67 each.

Class of shares	No of shares	% of total	No of votes	% of total
Series A	28,500,000	10.51	285,000,000	54.02
Series B	242,571,783	89.49	242,571,783	45.98
<b>Total</b>	<b>271,071,783</b>	<b>100.00</b>	<b>527,571,783</b>	<b>100.00</b>

See also Note 26.

## Note 54

### Provisions for pensions and similar

SEK M	2013	2012
Provisions for pensions	6	6
<b>Total</b>	<b>6</b>	<b>6</b>

Pensions and similar costs amounted to SEK 14 M (15).

## Note 55

### Other provisions

SEK M	2013	2012
Provision for contractual commitments	0	0
Provision for long-term incentive program	9	8
Other provisions	1	1
<b>Total</b>	<b>10</b>	<b>9</b>

For further information, refer to Note 3.

## Note 56

### Interest-bearing liabilities

#### Interest-bearing non-current liabilities

SEK M	2013	2012
Other interest-bearing liabilities, Group companies	33	33
<b>Total interest-bearing non-current liabilities</b>	<b>33</b>	<b>33</b>

#### Interest-bearing current liabilities

SEK M	2013	2012
Other interest-bearing liabilities, Group companies	24,206	24,210
Other interest-bearing liabilities, Group joint venture/associated companies	41	-
<b>Total interest-bearing current liabilities</b>	<b>24,247</b>	<b>24,210</b>
<b>Total</b>	<b>24,280</b>	<b>24,243</b>

Liabilities are recognized at amounts corresponding to fair value.

## Note 57

### Other current liabilities

SEK M	2013	2012
Accounts payable	28	28
Operating liabilities, Group companies	79	90
Other non-interest-bearing liabilities	3	3
Accrued expenses and prepaid income (Note 58)	51	48
<b>Total</b>	<b>161</b>	<b>169</b>

Liabilities are recognized at amounts corresponding to fair value.

## Note 58

### Accrued expenses and prepaid income

SEK M	2013	2012
Wages and salaries	32	30
Payroll overheads	10	9
Other	9	9
<b>Total</b>	<b>51</b>	<b>48</b>

## Note 59

### Contingent liabilities and pledged assets

SEK M	2013	2012
<i>Contingent liabilities</i>		
Pension obligations	1	1
Guarantees and other contingent liabilities	7,648	8,133
<b>Total</b>	<b>7,649</b>	<b>8,134</b>
Of which, on behalf of Trelleborg Treasury AB	6,944	7,503
Of which, on behalf of other subsidiaries	674	587
<i>Pledged assets</i>		
	-	-

The Parent Company has issued guarantees for the subsidiary Trelleborg Treasury AB's operation. Of the obligations under these guarantees, direct loans accounted for SEK 6,739 M (7,002), the fair value of derivative instruments for SEK 184 M (266) and other contingent liabilities for SEK 21 M (235) on the closing date.

## Proposed treatment of unappropriated earnings

The Board of Directors and the President propose that the profit brought forward from the preceding year, SEK 000s	8,776,166
and net profit for the year, SEK 000s	47,847
<b>Total, SEK 000s</b>	<b>8,824,013</b>

be distributed in the following manner:

<b>Dividend to shareholders of SEK 3.25 per share, SEK 000s</b>	<b>880,983</b>
balance to be carried forward, SEK 000s	7,943,030
<b>Total, SEK 000s</b>	<b>8,824,013</b>

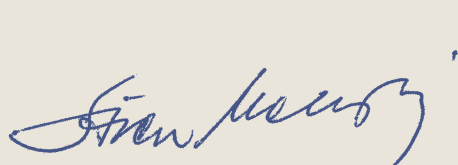
The proposed record date for the right to a dividend is April 28, 2014.

The members of the Board are of the opinion that the proposed dividend is justifiable considering the demands on the Group's equity imposed by the type, scope and risks of the business and with regard to the Group's consolidation requirements, liquidity and overall position. The proposed dividend reduces the Group's equity/assets ratio from 54.5 percent to 53.0 percent and the Parent Company's equity/assets ratio from 33,9 percent to 32.3 percent, calculated on December 31, 2013.

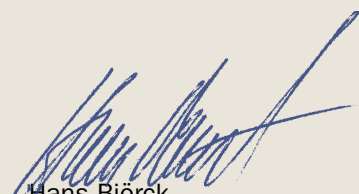
The Board of Directors and President affirm that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group's profit and financial position. The Annual Report has been prepared in accordance with the generally accepted accounting policies and provides a true and fair view of the Parent Company's profit and financial position.

The statutory Board of Directors' Report for the Group and the Parent Company provides a true and fair overview of the development of the Group's and Parent Company's operations, profit and financial position and describes significant risks and uncertainty factors faced by the Parent Company and the companies included in the Group.

### Trelleborg, February 13, 2014



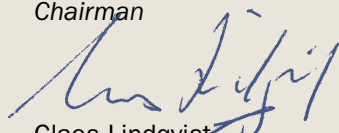
Sören Mellstig  
Chairman



Hans Biörck  
Board Member



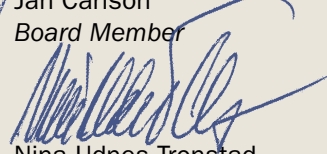
Jan Carlson  
Board Member



Claes Lindqvist  
Board Member



Bo Risberg  
Board Member



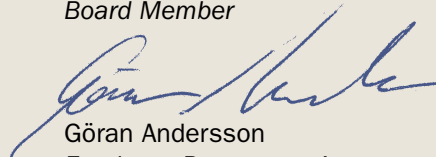
Nina Udnes Tronstad  
Board Member



Heléne Vibbleus  
Board Member



Peter Larsson  
Employee Representative



Göran Andersson  
Employee Representative



Mikael Nilsson  
Employee Representative



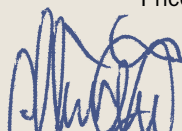
Birgitta Håkansson  
Employee Representative



Peter Nilsson  
President

Audit report submitted February 13, 2014

PricewaterhouseCoopers AB



Mikael Eriksson  
Authorized Public Accountant  
Auditor in charge



Eric Salander  
Authorized Public Accountant

## To the annual meeting of the shareholders of Trelleborg AB (publ)

### Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Trelleborg AB (publ) for the year 2013. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 1-23, 44-61, 66-101.

#### Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of December 31 2013 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of December 31 2013 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

### Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Trelleborg AB for the year 2013.

#### Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

#### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

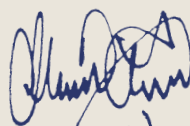
As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

#### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Trelleborg 13 February, 2014  
PricewaterhouseCoopers AB



Mikael Eriksson  
Authorized Public Accountant  
Auditor in charge



Eric Salander  
Authorized Public Accountant



# Ten-year Overview

<b>Trelleborg Group (SEK M unless otherwise stated)</b>	<b>2013</b>	<b>2012 <sup>1)</sup></b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>
<b>Continuing operations</b>										
Net sales	21,473	21,262	21,043	19,735	18,605	21,502	20,346	17,437	14,332	13,626
Operating profit	2,558	2,462	2,093	1,667	704	1,394	1,732	1,326	1,272	691
Profit before tax	2,361	2,308	1,929	1,501	393	1,017	1,469	1,182	1,154	513
Net profit	1,656	1,788	1,333	1,089	409	749	1,082	845	762	342
<b>Discontinued operations</b>										
Net sales	–	3,975	8,107	9,043	8,454	9,761	10,625	9,847	9,838	9,286
Operating profit/loss	–39	353	596	285	69	–1,020	–25	181	507	1,200
Profit/loss before tax	–39	318	551	231	–24	–1,183	–201	11	413	1,091
Net profit/loss	–39	269	505	94	10	–1,007	–244	–79	415	1,044
<b>Total net sales</b>	<b>21,473</b>	<b>25,237</b>	<b>29,150</b>	<b>28,778</b>	<b>27,059</b>	<b>31,263</b>	<b>30,971</b>	<b>27,284</b>	<b>24,170</b>	<b>22,912</b>
<b>Total operating profit</b>	<b>2,519</b>	<b>2,815</b>	<b>2,689</b>	<b>1,952</b>	<b>773</b>	<b>374</b>	<b>1,707</b>	<b>1,507</b>	<b>1,779</b>	<b>1,891</b>
<b>Total profit/loss before tax</b>	<b>2,322</b>	<b>2,626</b>	<b>2,480</b>	<b>1,732</b>	<b>369</b>	<b>–166</b>	<b>1,268</b>	<b>1,193</b>	<b>1,567</b>	<b>1,604</b>
<b>Total net profit/loss</b>	<b>1,617</b>	<b>2,057</b>	<b>1,838</b>	<b>1,183</b>	<b>419</b>	<b>–258</b>	<b>838</b>	<b>766</b>	<b>1,177</b>	<b>1,386</b>
– shareholders in the Parent Company	1,609	2,042	1,819	1,162	409	–267	821	751	1,161	1,372
– non-controlling interests	8	15	19	21	10	9	17	15	16	14
Shareholders' equity	14,877	14,012	13,504	12,196	12,361	10,238	10,052	9,687	10,113	8,603
Capital employed, closing balance	20,263	19,233	19,574	18,091	19,755	22,238	19,853	18,818	16,922	15,112
Net debt	5,637	5,360	6,425	6,409	8,369	12,706	10,093	9,350	7,236	6,951
Total assets	27,288	27,224	28,691	27,314	29,539	33,763	29,334	27,557	24,960	22,152
Equity/assets ratio, %	55	51	47	45	42	30	34	35	41	39
Debt/equity ratio, %	38	38	48	53	68	124	100	96	72	81
Capital turnover rate, multiple	1.1	1.3	1.5	1.5	1.3	1.5	1.6	1.5	1.5	1.4
Investments in property, plant and equipment	852	967	1,075	792	754	1,367	1,215	980	689	841
Investments in intangible assets	70	76	61	47	72	159	121	132	184	170
Cash flow attributable to acquisitions	–234	–744	–746	–165	–63	–802	–616	–3,095	–368	–346
Cash flow attributable to discontinued operations	–19	448	478	445	377	–276	–67	162	374	1,391
Free cash flow	965	1,714	675	806	1,366	656	711	926	576	239
Free cash flow per share, SEK <sup>2)</sup>	3.56	6.32	2.49	2.97	5.68	3.31	3.59	4.67	2.91	1.23
Return on shareholders' equity, %	11.2	15.0	14.3	9.5	3.6	neg	8.4	7.6	12.5	17.2
Earnings per share, SEK <sup>2)</sup>	5.93	7.53	6.71	4.29	1.70	–1.35	4.14	3.81	5.86	7.08
Dividend to shareholders in the Parent Company <sup>3)</sup>	881	813	678	474	136	–	587	542	497	449
Dividend per share, SEK <sup>3)</sup>	3.25	3.00	2.50	1.75	0.50	–	2.95	2.75	2.50	2.30
Shareholders' equity per share, SEK <sup>2)</sup>	54.72	51.56	49.20	44.56	45.25	51.23	50.12	48.34	50.67	43.05
Average number of employees	14,827	16,702	20,274	20,042	20,073	24,347	25,158	22,506	21,694	21,675
– of which, outside Sweden	13,563	15,220	18,502	18,230	18,342	22,104	22,836	20,268	19,243	19,117
<b>Continuing operations excluding items affecting comparability and participations in TrelleborgVibracoustic <sup>4)</sup></b>										
Operating profit	2,613	2,342	2,231	1,840	1,021	1,996	1,958	1,518	1,270	1,252
Profit before tax	2,416	2,188	2,067	1,675	710	1,617	1,695	1,375	1,153	1,072
Net profit	1,777	1,643	1,436	1,225	632	1,289	1,260	1,033	759	733
Operating margin, %	12.2	11.0	10.6	9.3	5.5	9.3	9.6	8.7	8.8	9.2
Return on capital employed, %	15.2	13.9	13.6	11.5	5.8	12.3	13.3	11.3	11.6	10.6
Return on shareholders' equity, %	12.3	12.0	11.2	10.0	5.6	12.8	12.9	10.5	8.2	9.2
Earnings per share, SEK	6.52	6.03	5.26	4.49	2.62	6.50	6.35	5.20	3.82	3.78
Operating cash flow	2,162	2,248	1,539	1,647	2,526	1,436	1,496	1,430	1,259	1,040
Operating cash flow per share, SEK	7.97	8.29	5.68	6.08	10.50	7.25	7.55	7.22	6.37	5.37
Operating cash flow/operating profit, %	83	96	69	90	247	72	76	94	99	83
Average number of employees	14,827	13,905	14,306	13,327	13,136	15,736	16,171	15,058	15,487	15,399
<b>Continuing operations including items affecting comparability and participations in TrelleborgVibracoustic <sup>4)</sup></b>										
Return on shareholders' equity, %	11.4	13.0	10.4	8.9	3.6	7.4	11.1	8.7	8.2	4.3
Earnings per share, SEK	6.08	6.56	4.88	3.99	1.69	3.77	5.45	4.28	3.82	1.75

<sup>1)</sup> Figures for 2012 have been adjusted for the transition effects of the amendment to IAS 19.

<sup>2)</sup> The average number of shares was adjusted in accordance with IAS 33. This calculation was applied to all key figures that include the number of shares. No dilutive effects occurred.

<sup>3)</sup> Dividend in accordance with the proposed treatment of unappropriated earnings.

<sup>4)</sup> For comparability, historical values have been adjusted for discontinued operations.

## Index

The overview below illustrates how GRI's guidelines, version G3, correspond to the various sections of Trelleborg's CR report. A more complete GRI index is available at the Group's CR website [www.trelleborg.com/cr](http://www.trelleborg.com/cr).

Text in bold denotes Core Indicators. Parentheses denote partially reported indicators. In addition, the table gives a general overview of the link to the UN Global Compact, to which Trelleborg is a signatory, and the Carbon Disclosure Project.

	GRI indicators	Pages in the Annual Report	Connection to principles in UN Global Compact	Connection to CDP
<b>Governance and reporting</b>				
CEO's comments	1.1	2-3, 62		
Key sustainability-related impacts, risks and opportunities	1.2	6-7, 24-25, 43-47, online		2.1, 5.1
Profile of organization	2.1, 2.4, 2.6, 2.10	1, 4-5, 40, 42-43, 51		
Primary brands, products and/or services	2.2	Cover, 13, 15, 17, 19, 21-22, 24-25, 27, 29, 31, 33, 38-39		
Markets	2.5, 2.7	Cover, 1, 13, 15, 17, 19, 21, 25, 27, 29, 31, 33, 35-37		
Scale and operational structure of the reporting organisation	2.3, 2.8	Cover, 1, 4-5, 10-23, 36-37, 51		
Significant changes during the reporting period	2.9	8-9, 12, 14, 16, 18, 20, 22, 36-37		
Report parameters, scope and boundary of the report	3.1-3.4, 3.6-3.8, 3.11	1, 106-107, 109, online		
Report content, definition and date-measurement techniques	3.5, 3.9-3.10	63, online		
Index	3.12	104		
Assurance	3.13	7, 62, 105		8.6
Corporate Governance	4.1-4.5, (4.7)	51-54, 56, 58-61	1-10	1.1, 2.1, 2.2
Commitments and engagement	4.6, 4.8-4.10	6-7, 34-35, 37, 39-42, 53, 55-57	1-10	1.1, 2.1, 2.2
External initiatives and commitments	4.12-4.13	7, 57, 62, 64-65, 104	1-10	
Stakeholder engagement	4.14, (4.15), 4.16- 4.17	63, 65		
CR governance	Governance (EC), EN, LA, HR, SO, PR	6-7, 34-35, 51, 55-56		
<b>Workplace and society</b>				
Working conditions and whistleblower policy	<b>(LA1), LA4, LA5</b>	36, 40-41, 83-84	1, 3, 6	
Health and safety	LA6, <b>LA7, (LA8)</b>	6, 23, 40, online	1	
Talent management	LA11, (LA12)	40-41	6	
Training and development	(HR3), <b>LA10</b>	41, 57	6	
Diversity and gender equality	<b>HR4, (LA13)</b>	41	1, 6	
Anticorruption and competition issues	<b>(S02), (S03), (S04), S07, S08</b>	9, 40-41, 47, 57, 70, 86	10	
Suppliers	<b>(HR2), HR6, HR7</b>	7, 40, 64, online	1-6	
Social commitment and public policy positions	<b>S05</b>	65	1-10	
<b>Environment</b>				
Material	<b>(EN1)</b>	42	8-9	
Energy	<b>EN3, EN4, EN5, EN6</b>	37, 42	8	12.2, 12.3
Water	<b>EN8</b>	43	8	
Biological diversity	<b>(EN11), (EN12)</b>	Online	8	
Climate impact	<b>EN16, (EN18)</b>	6, 39, 42	7-9	3.3, 7.2-7.4, 8.2-8.3, 8.5
Emissions and waste	<b>EN20, EN22, EN23</b>	43	8	
Products	<b>(EN26), (PR1), (PR3)</b>	23, 39, 64	1, 7-9	3.2
Transports	(EN29)	64	8	
<b>Economics</b>				
Fines and sanctions for noncompliance	<b>EN28</b>	43	8	
Economic performance	<b>EC1, EC3, EC4</b>	1, 4-5, 7, 10-11, 36-37, 51, 63, 71, 81, 86, 94		

# Assurance Report

## Auditor's Report on review of Sustainability Report

To the readers of Trelleborg Annual Report 2013

### Introduction

We have been engaged by the management of Trelleborg AB (publ) to undertake a limited assurance engagement of the Trelleborg "Corporate Responsibility" Report (Sustainability Report) 2013. The company has defined the scope of the Sustainability Report in the table of contents.

### Responsibility of the Board and Management

The Board of Directors and Executive Management are responsible for the ongoing activities regarding environment, health & safety, social responsibility, and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with applicable criteria.

### Responsibility of the Auditor

Our responsibility is to express a limited assurance conclusion on the Sustainability Report based on the procedures we have performed.

We have conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures.

The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and Quality Control, and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express a reasonable assurance opinion.

The criteria on which our procedures are based are the parts of the Sustainability Reporting Guidelines G3, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report. We consider these criteria suitable for the preparation of the Sustainability Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion below.

### Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Trelleborg "Corporate Responsibility" Report, is not prepared, in all material respects, in accordance with the above stated criteria.

Trelleborg 13 February, 2014  
PricewaterhouseCoopers AB



Eric Salander  
Authorised Public Accountant



Fredrik Ljungdahl  
Expert Member of FAR



The Annual General Meeting of Trelleborg AB (publ) will be held on Wednesday, April 23, 2014, at 5:00 p.m. in Söderslätts hallen in Trelleborg, Sweden.

**Program**

- 3:00 p.m. Registration and light refreshments
- 3:30 p.m. Meeting hall opens
- 5:00 p.m. Annual General Meeting commences

**Notification.** Shareholders who wish to participate and vote in the Meeting must be entered in the share register maintained by Euroclear Sweden AB (formerly VPC AB) by Tuesday, April 15, 2014, at the latest, and notify the company of their intention to participate – with any advisors – not later than 3:00 p.m. on the same date.

Shareholders whose shares have been registered in the name of a trustee, must have temporarily re-registered the shares in their own name not later than Tuesday, April 15, 2014. Such registration should be requested of the trustee a couple of working days in advance of this date.

**Notification of attendance via:**

- The Group's website: [www.trelleborg.com](http://www.trelleborg.com)
- E-mail to: [anmalan.stamma@trelleborg.com](mailto:anmalan.stamma@trelleborg.com)
- Post to Trelleborg AB, Legal Department, PO Box 153, SE-231 22 Trelleborg, Sweden
- Telephone to: +46 (0)410 670 04 or 670 00

The notification should state the shareholder's full name, personal identity number and telephone number. If participation is supported by power of attorney, the power of attorney and – assuming the issuer of the power of attorney is a legal entity – documents proving the signatory's authorization must be sent to the company prior to the Meeting. The

details provided will only be used in connection with the Meeting and for preparing the voting list.

**Proposals to the 2014 Annual General Meeting.**

*Proposed dividend.* The Board of Directors and the President propose a cash dividend of SEK 3.25 (3.00) per share to be paid to the shareholders. Monday, April 28, 2014 is proposed as the date of record. If the Meeting approves the proposal, the dividend is expected to be distributed by Euroclear Sweden on Friday, May 2, 2014.

**Board members.** The Nomination Committee, consisting of representatives of

major shareholders who together control approximately 62 percent of the votes in Trelleborg AB, and the Chairman of the Board have decided to propose to the Annual General Meeting the re-election of all Board members: Hans Biörck, Jan Carlson, Claes Lindqvist, Peter Nilsson, Bo Risberg, Nina Udnes Tronstad, Heléne Vibbleus and Sören Mellstig as Chairman.

For more information about the Annual General Meeting, visit [www.trelleborg.com/The-Group/Corporate-Governance/Annual-General-Meeting/](http://www.trelleborg.com/The-Group/Corporate-Governance/Annual-General-Meeting/).





# Trelleborg online and on your mobile phone or tablet

www.trelleborg.com

Keep track of Trelleborg's performance via the Group's website at [www.trelleborg.com](http://www.trelleborg.com)

## Annual Report

Trelleborg distributes a paper version of the Annual Report only to those who have specifically requested a copy. If you wish to receive a paper copy of the Annual Report, it can be ordered on the company's website.

## News about products and solutions

At [www.trelleborg.com](http://www.trelleborg.com), you can follow the development and successes of the various products and solutions that we offer our customers.

## Subscribe to information

You can choose to subscribe via e-mail or text message to our financial reports, press releases and share information. You can activate this service via the "Subscription Service" web page under "Investors" or directly by following this link: [www.trelleborg.com/en/Contacts/Subscription-Service/](http://www.trelleborg.com/en/Contacts/Subscription-Service/).

## Clear share price information

You can follow the share price trend for a number of years back in time and can compare it against the performance of a number of different indices. You can also download share data in Excel format for your own analysis by following this link: [www.trelleborg.com/en/Investors/The-Trelleborg-Share](http://www.trelleborg.com/en/Investors/The-Trelleborg-Share).

## Financial presentations – watch live or on demand

Watch presentations in conjunction with quarterly reports, AGMs or other occasions. The majority of presentations can be followed live or watched later on demand via the link: [www.trelleborg.com/en/Investors/Presentations](http://www.trelleborg.com/en/Investors/Presentations).

## Investor information by iPhone and iPad – Trelleborg IR app

Receive the most up-to-date information about Trelleborg's financial reports, presentations, news and investor activities via Trelleborg's IR app. Search for "Trelleborg IR" in the App store.

### Financial calendar 2014

Interim report, January-March	April 23
Annual General Meeting (Trelleborg)	April 23, 5:00 p.m.
Capital market day (Stockholm)	June 4
Interim report, April-June	July 22
Interim report, July-September	October 22
Year-end report	For information, visit <a href="http://www.trelleborg.com">www.trelleborg.com</a>

## Trelleborg Gateway – Smartphone app

Get fast and easy access to news and updates via an iPhone or Android mobile; you can also see a summary of our products and solutions.

## The world of Trelleborg

Experience Trelleborg's world of engineered solutions – from outer space to the ocean floor. Visit Trelleborg's digital exhibition at [www.trelleborg.com](http://www.trelleborg.com).

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- **See our films on YouTube:** [www.youtube.com/trelleborg](http://www.youtube.com/trelleborg)
- **See our pictures on Flickr:** [www.flickr.com/photos/trelleborg](http://www.flickr.com/photos/trelleborg)

## Financial definitions

### Financial key figures

**Debt/equity ratio** Net debt divided by total equity.

**Earnings per share** Profit for the period, attributable to shareholders of the Parent Company, divided by the average number of shares outstanding.

**Earnings per share after dilution** Profit for the period, attributable to shareholders of the Parent Company, divided by the average number of shares outstanding plus the average number of shares added through the conversion of outstanding debentures and warrants.

**Equity/assets ratio** Total equity divided by total assets.

**Free cash flow** Operating cash flow and cash flow from financial items and tax and the effect of restructuring measures on cash flow.

**Free cash flow per share** Free cash flow divided by the average number of shares outstanding.

**Net debt** Interest-bearing liabilities less interest-bearing assets and cash and cash equivalents.

**P/E ratio** Market price divided by earnings per share.

**Return on shareholders' equity** Profit for the period, attributable to shareholders of the Parent Company, as a percentage of average shareholders' equity, excluding non-controlling interests.

**Yield** Dividend as a percentage of the market price.

### Operating key figures\*

**Average number of employees** Average number of employees during the year based on hours worked. Does not include insourced staff.

**Capital employed** Total assets less interest-bearing investments and noninterest-bearing operating liabilities (including pension liabilities) and excluding tax assets and tax liabilities.

**Earnings per share** Profit for the period, attributable to shareholders of the Parent Company, excluding items affecting comparability net after tax, divided by the average number of shares outstanding.

**EBITDA** Operating profit excluding depreciation and amortization of PPE and intangible assets, excluding items affecting comparability.

**EBITDA/Net interest income/expense** EBITDA divided by net interest income/expense (interest income less interest expenses).

**EBITDA margin** EBITDA excluding profit from participations in joint venture/associated companies as a percentage of net sales.

**Equity method** Associated companies and joint ventures in the Group are recognized in line with the equity method, implying that the initial participation is changed to reflect the Group's share in the company's profit or loss and for any dividends. For the Group's largest joint venture, TrelleborgVibrocoustic, the share in profit or loss is recognized on two lines in the consolidated income statement: Profit/loss before tax and tax.

**Net debt/EBITDA** Net debt divided by EBITDA.

**Number of employees at year-end** Including insourced staff and temporary employees.

**Operating cash flow** EBITDA excluding non-cash items, capital expenditures, divested PPE and changes in working capital, but excluding cash flow pertaining to restructuring.

**Operating cash flow/Operating profit** Operating cash flow as a percentage of operating profit, excluding items affecting comparability.

**Operating cash flow per share** Operating cash flow divided by the average number of shares outstanding.

**Operating margin (ROS - Return On Sales)** Operating profit as a percentage of net sales.

**Operating profit** Operating profit as stated in the income statement excluding items affecting comparability.

**Rate of capital turnover** Net sales as a percentage of average capital employed.

**Return on capital employed (ROCE)** Operating profit divided by the average capital employed.

**Return on shareholders' equity** Profit for the period, attributable to shareholders of the Parent Company, excluding items affecting comparability, net after tax, divided by average equity, excluding non-controlling interests.

**Western Europe** Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, the Netherlands, Norway, Portugal, Sweden, Switzerland, Spain, the U.K.

\*) for continuing operations

## Glossary

**CDP** (Carbon Disclosure Project), an independent organization with the world's largest database of climate information. On behalf of global investors, the CDP gathers information regarding emissions of greenhouse gases by companies and organizations as well as the measures being taken by them to prevent a negative climate impact.

**CR** (Corporate responsibility), refers to the responsibilities of companies towards their key stakeholders, such as employees, shareholders, customers, suppliers, the local community and the environment. Often relates to the same areas encompassed by the term sustainability or Corporate Social Responsibility (CSR).

**FLNG** (Floating Liquefied Natural Gas). A floating natural gas production facility.

**FPSO** (Floating Production Storage and Offloading). An offshore floating production, storage and offloading vessel.

**Global Compact** UN initiative that unites companies and social institutions around ten universally applicable principles for environment and society. The aim is for companies to become members of society that are involved in developing solutions for challenges arising from increasing globalization.

**GRI** (Global Reporting Initiative), a global network in which community representatives, industries, investors and others cooperate to create and improve the approaches to sustainability reporting, on a consensus basis.

**Integrated reporting** A method that, more clearly than conventional financial reporting, captures the overall extent of an operation's competitiveness by also reflecting non-financial strategic key figures or indicators, including sustainability-related factors.

**ISO** (International Organization for Standardization), an international standardization body that works with industrial and commercial standards. The following standards are applied at Trelleborg: ISO 9000 which provides guidelines for quality assurance systems, ISO 14001 that sets requirements and provides guidance regarding environmental management systems and ISO 26000 which forms a practical set of guidelines and standards for increasing responsibility in the process of achieving sustainability.

**Life sciences** A term that mainly encompasses biological and medical sciences, in addition to biochemistry, pharmacology and biotechnology, among others.

**LNG** Liquefied Natural Gas.

**NAFTA** (North American Free Trade Agreement), a free-trade agreement between Mexico, Canada and the U.S.

**OEM** (Original Equipment Manufacturer), the end producer of, for example, a tractor.

**Plastics** can be divided into two main groups. **Thermoplastics** are non-cross-linked plastics that are solid at room temperature but become soft and moldable when heated. **Hard plastics** are cross-linked plastics

that disintegrate upon heating and do not regain their properties.

**Polymer** The word is derived from the Greek "poly," meaning "many" and "meros" meaning "parts." Polymers are made up of many small molecules - monomers - that are linked in long chains. Examples of polymers are plastics and rubber.

**Polymer technology** The technology relating to manufacturing processes for polymers in combination with their unique properties.

**REACH** (Registration, Evaluation and Authorization of Chemicals). The aim of the EU's REACH chemicals ordinance is to only permit the use of substances in the EU and EEA that are registered with the European Chemicals Agency.

**ROV** Remotely Operated Underwater Vehicle.

**Safety@Work** A program of preventative measures to forestall injuries and illness at all of Trelleborg's workplaces. The program supports an organizational change to create a culture of safety and strengthens the Group's ability to attract, develop and retain employees in all its units.

## Addresses

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# TRELLEBORG

Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications in demanding environments. Its innovative engineered solutions accelerate performance for customers in a sustainable way. The Trelleborg Group has annual sales of about SEK 21 billion in over 40 countries. The Group comprises five business areas: Trelleborg Coated Systems, Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg Sealing Solutions and Trelleborg Wheel Systems. In addition, Trelleborg owns 50 percent of TrelleborgVibracoustic, a global leader within antivibration solutions for light and heavy vehicles, with annual sales of approximately SEK 15 billion in about 20 countries. The Trelleborg share has been quoted on the Stock Exchange since 1964 and is listed on NASDAQ OMX Stockholm, Large Cap.

[www.trelleborg.com](http://www.trelleborg.com)

