

2017 Annual Report

WITH ASSURED

Sustainability Report

**WE SEAL, DAMP AND
PROTECT CRITICAL
APPLICATIONS
IN DEMANDING
ENVIRONMENTS**

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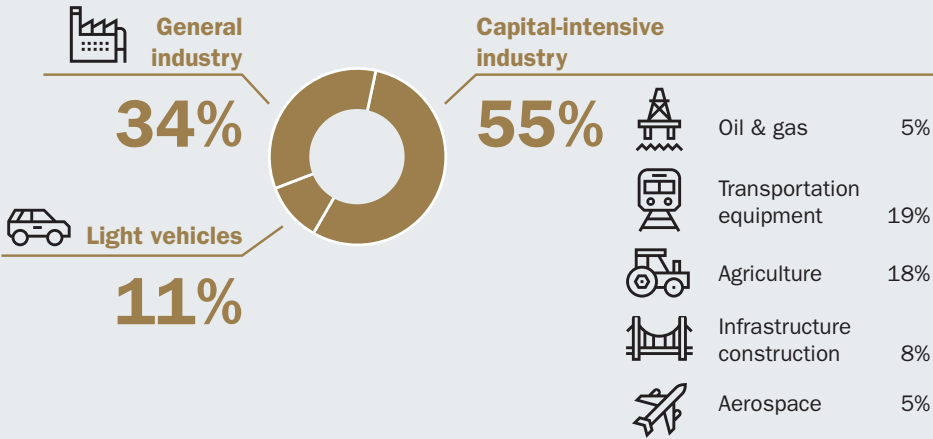
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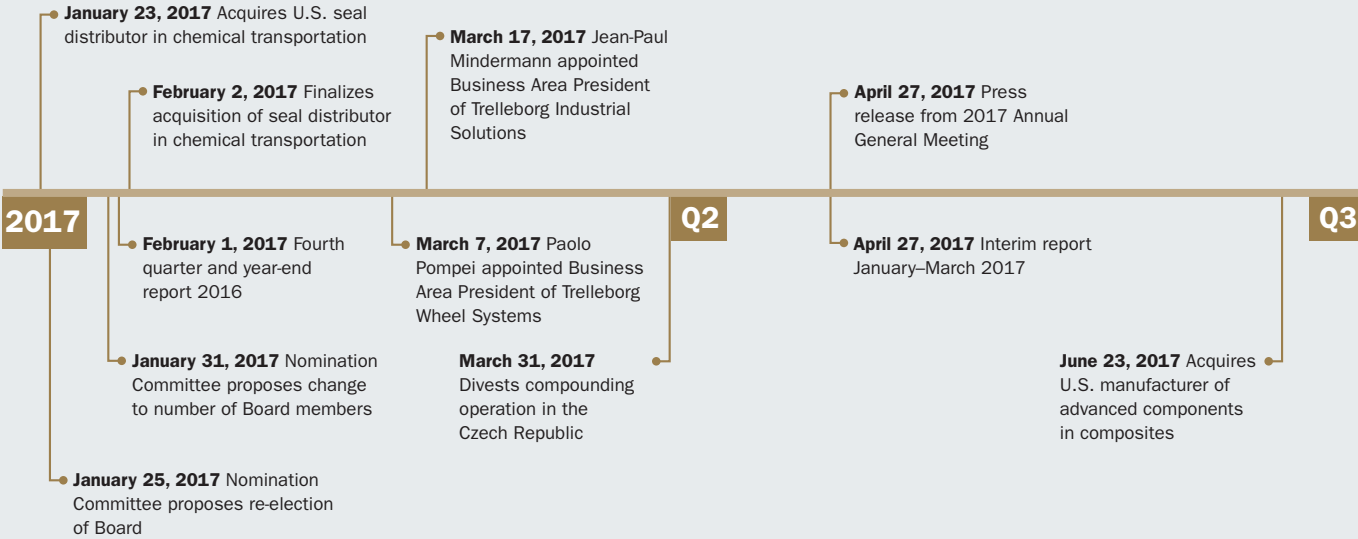
TRELLEBORG AND 2017 IN BRIEF

| | |
|---------------------------------------|------------|
| FOUNDED IN | 1905 |
| HEAD OFFICE IN | TRELLEBORG |
| NUMBER OF COUNTRIES WITH OPERATIONS | 50 |
| LISTED ON NASDAQ STOCKHOLM, LARGE CAP | 1964 |
| NUMBER OF EMPLOYEES | 23,152 |
| SALES IN 2017 (SEK M) | 31,581 |

Share of the Trelleborg Group's sales



KEY EVENTS IN 2017



Trelleborg is a world leader in engineered polymer solutions. We seal, damp and protect critical applications in demanding environments. Our innovative solutions accelerate performance for customers in a sustainable way.

Seal

To seal is to fill a gap when joining two static or moving (dynamic) surfaces, thereby separating different media from each other.

Protect

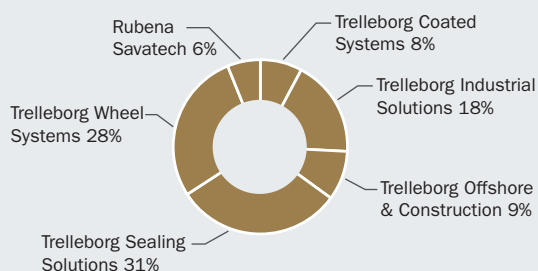
To protect is to help the environment, people, infrastructure and other assets to manage the impact from natural and man-made forces.

Damp

To damp is to absorb energy, thereby reducing vibration and noise.



Business areas' share of consolidated sales, %



Key figures, continuing operations, SEK M

| | 2017 | 2016 |
|---|--------|--------|
| Net sales | 31,581 | 27,145 |
| Organic sales, % | 4 | -5 |
| EBITA, excluding items affecting comparability | 4,385 | 3,700 |
| EBITA margin, % | 13.9 | 13.6 |
| EBIT, excluding items affecting comparability | 4,091 | 3,496 |
| EBIT margin, % | 13.0 | 12.9 |
| Items affecting comparability | -69 | -391 |
| EBIT | 4,022 | 3,105 |
| Operating cash flow | 3,688 | 3,460 |
| Cash conversion ratio, % | 90 | 99 |
| Return on shareholders' equity, % ¹⁾ | 11.0 | 10.1 |
| Earnings per share, SEK ¹⁾ | 10.60 | 8.18 |
| Dividend, SEK ²⁾ | 4.50 | 4.25 |

¹⁾ Including items affecting comparability.

²⁾ As proposed by the Board.

Q4

- July 20, 2017** Interim report April-June 2017
- August 31, 2017** Peter Hahn appointed Business Area President of Trelleborg Sealing Solutions
- August 17, 2017** Decides to invest in new production facility for sealing solutions in Denmark
- September 15, 2017** Nomination Committee ahead of the 2018 Annual General Meeting appointed and new Chairman proposed
- October 27, 2017** Interim report July-September 2017
- November 2, 2017** Acquires German service company in tires for material handling and construction vehicles
- November 13, 2017** Finalizes the acquisition of manufacturer of advanced composites components
- November 28, 2017** Consolidates and adapts operations in oil & gas
- November 28, 2017** Fredrik Meuller steps down as Business Area President of Group

All of Trelleborg's corporate press releases and news regarding products and solutions are available at www.trelleborg.com.

Hevea Brasiliensis is the Latin name for the rubber tree from which the sap is collected to produce rubber. The leaves on the cover are from the rubber tree.



TRELLEBORG AS AN INVESTMENT

Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications in demanding environments. The Group has demonstrated stable profitability and a favorable earnings performance in recent years, despite challenging market conditions in certain market segments. Trelleborg is focusing on being a partner that is easy to do business with and is intensifying its utilization of new technologies, not least connected to digital solutions. Trelleborg is working continuously to create value for all its stakeholders.

Global trends support business focus

Trelleborg operates in selected market segments where the Group has the potential to achieve favorable profitability and leading positions. Global trends such as urbanization, population growth and increased transportation benefit Trelleborg's choice of segments and support the focus on products and solutions for enhanced sustainability.

Strong position and value creation built on applications expertise and business acumen

Trelleborg's strong positions with engineered products and solutions is the result of in-depth applications expertise that reflects the needs of customers and is critical to their applications. The Group is characterized by far-reaching delegation of responsibilities and powers and encourages rapid decisions.

Continuous optimization of portfolio and processes

Trelleborg's continuous efforts to improve its geographic balance, optimize its portfolio, improve structures and strive for excellence have yielded consistent and strong results, even in years of low growth.

Balanced earnings and strong cash flow

The company operates in market segments with a favorable balance between early and late cyclical industry, thus leading to balanced earnings. Trelleborg's strong cash flow allows the Group to maintain a high rate of acquisition and favorable dividends in parallel with facilitating organic growth.



WE ARE CONTINUING TO BUILD ON OUR LEADING POSITIONS WITH A HIGH LEVEL OF ACTIVITY AND RATE OF INVESTMENT

Trelleborg is reporting yet another strong year. Organic sales increased 4 percent and EBIT, operating profit excluding items affecting comparability, rose 17 percent year-on-year. The Group has remained loyal to its strategy of continuously strengthening its positions in selected segments and applications. The year was marked by a continued high rate of investment and activity.

Peter Nilsson, President and CEO of Trelleborg – how would you summarize 2017?

In 2017, Trelleborg continued to improve its positions by focusing on selected segments and applications. Several organic growth initiatives were conducted and the rate of investment has never been higher than it is now; we are investing in new facilities and improving existing ones.

“ We are continuing to make it simpler for our customers to do business with us: digitalization gives us new possibilities for interacting with them.”

We are continuing to make it easier for our customers to do business with us: digitalization gives us new possibilities for interacting with them. A great deal of time and energy has also been put into ensuring that our acquisitions over the past few years are being integrated in a forward-looking and structurally correct manner.

Gradual improvement was seen in our markets during 2017. Organic sales increased and we are continuing to improve our EBIT – we now have 19 quarters of continually increasing rolling EBIT behind us.

I would also like to mention efforts to ensure that we are an attractive employer. We conduct global employee surveys on a regular basis and our Trelleborg Group University continues to evolve to be even better at offering internal development opportunities to our employees. During the year, we have invested in projects such as our own new training center. It is also a

source of satisfaction to have appointed a number of business area presidents this year, all of whom were recruited internally.

What messages would you like to give shareholders and investors?

We are continuing to build a stronger Trelleborg, with a basis in steadily improved leading positions. Our ambition is to do this in continuous small steps, supplemented with investments and acquisitions that accelerate the process.

With an eventful 2016, which included the divestment of our stake in Vibracoustic – and, above all, the SEK 11 billion acquisition of CGS Holding – we strengthened our leading positions in agricultural, industrial, and specialty tires as well as in engineered polymer solutions. With this, Trelleborg's profile has changed somewhat and based on these conditions we are building a platform for the future that is new in some parts.

But we are also continuing to work in accordance with our fundamental principles of belief in individuals and a decentralized leadership, of always making decisions close to the commercial reality and with a high level of activity. As noted, we have a high rate of investment, but our overall pace of development for new products and solutions has increased during the year, not least related to the opportunities created by increased digitalization.

How would you comment on Trelleborg's financial earnings?

The Group is developing in the right direction, but we can always do more. We are always striving for something better, and we still have some way to go to achieve our financial targets, but we have a solid plat-

form; we are where we want to be and will now build further, grow and improve further from this basis. Our markets generally improved during the year, and we can look back on 12 months in which demand developed well, from a larger perspective.

The year naturally also held many challenges, including a sharp upward trend in the price of raw materials early on that turned downward later during the year – albeit with a clear increase in raw material prices seen over the entire year. And market conditions remained challenging for some of our businesses, including the oil & gas segment.

Our level of indebtedness is now below the level it was before the major acquisition of CGS in 2016. We have succeeded in doing this more rapidly than we expected when the acquisition was made, driven by continued healthy cash generation and occasional divestments. This creates favorable scope for action for us moving forward.

But there weren't so many, or major, acquisitions in 2017?

From a historical perspective, that's correct. At the same time, we are very satisfied with the acquisitions we actually made.

Take, for example, the acquisition of Automated Dynamics that was concluded in December 2017. The company is specialized in manufacturing advanced components in composite materials for particularly demanding applications. These composites represent a closely related and strategically interesting technology for Trelleborg, with major potential in several industries. The acquisition supports our organic growth by improving our offering and our positions, and that makes us a more complete partner for our customers.

How is the integration of CGS's tire business progressing?

This is a relatively complex integration that we are working on in several dimensions. In general, we have worked with it in two stages. The first one, which has started, was to secure and develop continued customer relations and sales channels. Without daily sales activities, there is no

business. In this regard, I believe we have been successful.

What we're focusing more on now is continuing to improve the cost and revenue aspects. We have identified where and how we can create synergies. For example, it's a question of how we can reduce the complexity in our manufacturing and make more efficient use of our manufacturing facilities. We also created a new sales organization during the year to better leverage the synergies we see in the sales stage. Most of the synergies will occur in 2018 and going forward.

The market for agricultural tires had a relatively good year as regards sales in several geographies, primarily to OE manufacturers, after several years of a weak market. In agriculture in particular, we at Trelleborg have had strong margin discipline, where we focus on growing organically while maintaining margins.

“Most of the synergies will occur in 2018 and going forward.”

But I would like to point out that the acquisition of CGS contained not only the tire business but also operations focused on engineered polymer solutions for general industry and the automotive industry. During the year, we prepared these operations for the integration with existing business areas, which occurred around the new year.

What are the areas of growth for Trelleborg, over a five-year perspective?

Growth can occur in several dimensions, for example, in segments, geographies or product categories. We are also increasingly focusing on broadening our offering and further integrating with our customers, which creates organic opportunities for growth, not least connected to new digitalized business models.

But if we take segments as examples, then agriculture – as noted – is moving in the right direction. We have a positive long-term view of the aerospace industry as

well. A more niche area is healthcare & medical, where Trelleborg is in a relatively early stage. But the field ought to have a promising future, especially in light of an aging population.

We are also looking at new applications – new types of solutions. One major change we're focused on, which is sometimes overlooked, is electrification – not only of cars, something that everyone is talking about, but also machines and tools in general. When this takes place, new demands are imposed on machinery construction and then newly developed sealing and anti-vibration solutions are required – which favors those of us who really know these applications.

Geographically, there are growth opportunities in the very large domestic market in China, as well as in other countries in Southeast and Southern Asia. This does not mean that we are not capitalizing on business opportunities in Germany, for example, or any other country for that matter.

How difficult is the situation in Oil & gas for you?

The oil & gas segment experienced a continued weak and challenging market during the year, and we really cannot see any improvement in the near future. The market situation has hampered the Group's earnings performance; in November, we chose to recognize impairment losses related to the Trelleborg Offshore & Construction business area and commence a consolidation of the business. At the same time, we should be aware that the operations are a relatively small part of Trelleborg, as far as sales are concerned, and even smaller if you look at the share of earnings.

Are you continuing to maintain margins ahead of volume growth?

We work with both. In general, we're focusing more on volume growth now than previously, but we really see no reason to sacrifice margins because of it. If we take Trelleborg Sealing Solutions as an example, it gives us more profits in hard cash to increase sales in that business than pushing the margins up a bit further. At the

same time, there are other parts of the Group where we are making more of an effort to lift the margins higher. It's a question of finding a balance between margins and absolute EBIT. Absolute EBIT is the important thing.

Is sustainability important for Trelleborg?

Yes. We will never quibble over a fundamental responsibility that involves compliance with rules and laws, as well as international agreements. And as part of our Excellence programs, we are working steadily on always being more cost and resource-effective, regardless of whether it concerns energy, the climate, or raw materials. For society at large, our solutions for sustainability – what we call Blue Dimen-

“ Just as important as the technology is that we have people who understand the business and how we can best help our customers.”

sion – are perhaps of greatest interest. Our products that seal, damp and protect are good for the environment, for people, and for infrastructure. I can provide numerous examples, but the bottom line is that we are incredibly well positioned for future challenges – the ones that the UN has defined, for example – and we have an important role to play when society needs to transition in the future.

What does digitalization mean for Trelleborg?

Our primary focus is on making it easier for customers to do business with us. To ensure success in this regard, we have to be at the cutting edge of our industry in the application of new technology and new possibilities for interacting with our customers. In combination with Trelleborg's strong niche focus, high levels of product quality and smart comprehensive solutions, I believe we have an exciting future before us.

But specifically, digitalization for us means working on both external offerings

and internal processes. From our perspective, sometimes it's wrong to be focused on just the word itself. Of course, our products and solutions should be on the technological cutting edge, but at heart it's an issue more of finding new ways to work that include these new digital tools as support. Just as important as the technology is that we have people who understand the business and how we can best help our customers. With the customers in focus, we are developing our methods of communicating and working with them, and are striving to make it even easier to do business with us, thereby also helping our customers to be more commercially successful.

Are you able to find the right people for your operations from around the world?

Our starting point is recruiting locally. Decisions are best taken in local conditions, and our employees should grow under their responsibilities. We want to keep our employees a long time in Trelleborg, and that is why we have to think in terms of a global talent base where people can move on to new tasks over time. We strive to always employ local managers where we operate and nationality should be of minimal importance when appointing new managers.

I would also like to take mention our own university – Trelleborg Group University – which broke records in 2017 for the number of course participants. The university has internal courses for leadership, but also for specialists and for our Excellence programs.

“ My task is to continue ensuring we have the right executives in the right place, and that major strategic decisions are realized properly and correctly.”

You've changed a number of business area presidents this year?

We work continuously with succession planning to ensure a stable supply of managers


and I view the fact that we were able to fill these positions as part of an internal recruitment process as a sign of strength.

There have always been internal 'inheritors' ready to take over. Some of our employees have gone on to other good jobs outside the company, which shows that Trelleborg is a good development base. Some individuals also return to Trelleborg later in their careers. New members in Group management mean new factors will come into play, but this is nothing that will dramatically alter our principles or our direction.

And your own role for the company's future development?

My task is to continue ensuring we have the right executives in the right place, and that major strategic decisions are realized properly and correctly. We will also continue to develop sustainable solutions that benefit both customers and society. Furthermore, I have to be open to, and provide coaching for, the technological shifts we talked about. But by and large, it's a question of maintaining a high pace of activity built on trust and mandates, openness and humility. Things can go wrong sometimes, but then we just fix it.

Trelleborg, February 2018



Seals on facades are invisible yet critical to the function and lifetime of the buildings. Trelleborg represents high quality – a reputation that has elevated the company to a leading position in the industry.

STOCK MARKET YEAR FOR THE TRELLEBORG SHARE

The price trend for the Trelleborg share remained positive during the year. On average, the share's total yield over the past five years has been favorable.

Share performance. The price of Trelleborg's Series B share rose 6 percent (9) in 2017 while the index of comparable industrial companies, SX2000 Stockholm Industrials, rose 16 percent (19). Nasdaq Stockholm, in its entirety, rose 6 percent (6).

Total yield. The Trelleborg share's total yield rose by 8 percent during the year, compared with an increase of 9 percent for the SIXRX index¹. Over the past five years, Trelleborg's Series B share has averaged a total yield of 23 percent per year. The corresponding figure for SIXRX is 15 percent.

Share price and turnover. In addition to Nasdaq Stockholm, the Trelleborg share is traded on such marketplaces as Chi-X, Turquoise and BATS Europe. Nasdaq Stockholm is the largest, with 65 percent (56) of the share trading.

Total trading in the Trelleborg B share in 2017 amounted to 261 million shares (314) at a total value of SEK 51,129 M (49,056), which corresponds to average daily turnover of 1,040,030 shares (1,241,745) or SEK 203.7 M (193.9) per trading day.

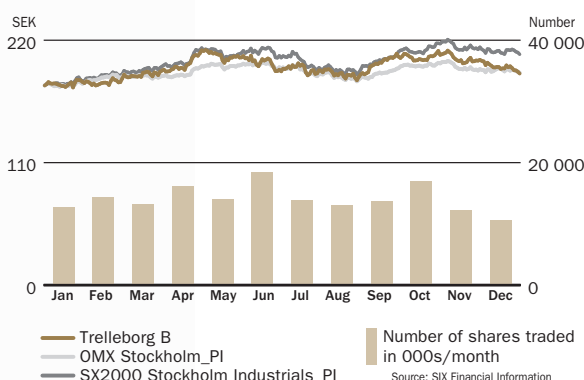
During the year, the highest price was SEK 212.40 on November 3, and the lowest price was SEK 173.20 on February 1.

Shareholders. Trelleborg's Series B share has been listed on the stock exchange since 1964. The share is currently quoted on the Nasdaq Stockholm Large Cap under TREL B. 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 carries ten votes and each Series B share carries one vote.

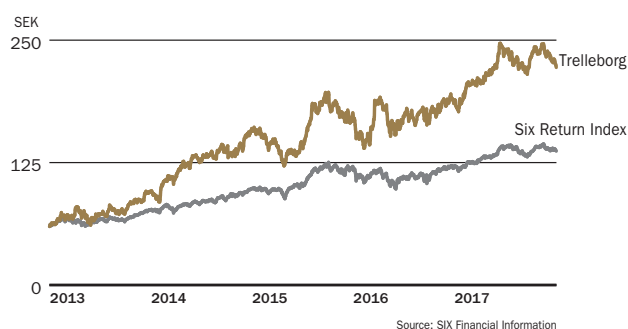
All of the Series A shares are owned by the Dunker Interests, comprising a number of foundations, donation funds and asset-management companies created through testamentary disposition by former owner and founder of the Helsingborg and Trelleborg rubber production plants, Henry Dunker, who died in 1962. For further information about the Dunker Interests and its holding in Trelleborg AB, visit www.trelleborg.com.

Analysts. For a current list of the analysts who continuously monitor Trelleborg, visit www.trelleborg.com.

**Price trend and trading volume
Jan 1 – Dec 31, 2017**



**Total yield, Trelleborg compared with
SIX Return Index**



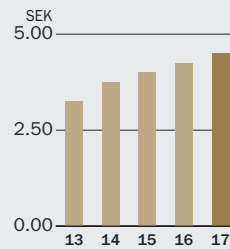
¹ SIXRX, Six Return Index, the average trend on Nasdaq Stockholm including dividends.

DIVIDEND

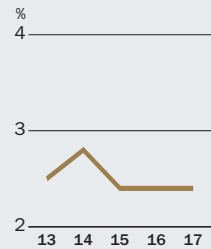
Trelleborg's dividend policy is that, over the long term, the dividend should amount to between 30 and 50 percent of net profit for the year. The dividend is adjusted to such factors as the Group's earnings level, financial position and future development potential.

For 2017, the Board of Directors proposes a dividend of SEK 4.50 (4.25), which corresponds to about 42 percent of net profit for the year.

Dividend per share



Dividend yield



Key data per share

| SEK | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------|-------|-------|-------|-------|
| Continuing operations | | | | | |
| Earnings | 10.60 | 8.18 | 7.73 | 7.13 | 5.20 |
| Earnings excl. items affecting comparability | 10.82 | 9.23 | 8.39 | 7.79 | 6.52 |
| Total | | | | | |
| Earnings ¹⁾ | 10.60 | 24.30 | 9.60 | 8.20 | 5.93 |
| Shareholders' equity ¹⁾ | 100.40 | 92.73 | 68.70 | 65.54 | 54.72 |
| Dividend ²⁾ | 4.50 | 4.25 | 4.00 | 3.75 | 3.25 |
| Dividend as a % of earnings per share | 42 | 17 | 42 | 46 | 55 |
| Dividend yield, % | 2.4 | 2.4 | 2.4 | 2.8 | 2.5 |
| Total dividend, SEK M | 1,220 | 1,152 | 1,084 | 1,017 | 881 |
| P/E ratio | 18 | 7 | 17 | 16 | 22 |

¹⁾ There were no dilutive effects. ²⁾ As proposed by the Board of Directors.

Series B share

| SEK | 2017 | 2016 | 2015 | 2014 | 2013 |
|---|-------------|-------------|-------------|-------------|-------------|
| Highest price | 212.40 | 186.00 | 180.20 | 147.90 | 130.00 |
| Lowest price | 173.20 | 134.50 | 123.20 | 109.20 | 80.75 |
| Market price, Dec. 31, last paid price | 190.00 | 179.30 | 164.80 | 132.00 | 127.90 |
| Market capitalization, Dec. 31, SEK M | 51,504 | 48,603 | 44,673 | 35,781 | 34,670 |
| No. of shares, Dec. 31, Series A and B shares | 271,071,783 | 271,071,783 | 271,071,783 | 271,071,783 | 271,071,783 |

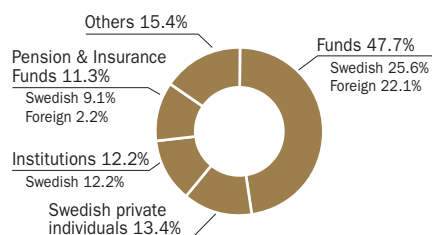
Trelleborg AB's ten largest shareholders, December 31, 2017

| Shareholder | TREL A | TREL B | Value (SEK M) | % of capital | % of voting rights |
|--|------------|------------|------------------------|--------------|--------------------|
| 1 Henry Dunker Donation Fund & Foundations | 28,500,000 | 0 | 5,661.53 ³⁾ | 10.51 | 54.02 |
| 2 Didner & Gerge Funds | 0 | 15,185,450 | 3,016.59 | 5.60 | 2.88 |
| 3 AMF Insurance & Funds | 0 | 15,054,004 | 2,990.48 | 5.55 | 2.85 |
| 4 First Swedish National Pension Fund | 0 | 8,592,539 | 1,706.91 | 3.17 | 1.63 |
| 5 Janus Henderson Investors | 0 | 8,418,713 | 1,672.38 | 3.11 | 1.60 |
| 6 Allianz Global Investors | 0 | 7,629,374 | 1,515.58 | 2.81 | 1.45 |
| 7 Lannebo Funds | 0 | 7,528,834 | 1,495.60 | 2.78 | 1.43 |
| 8 Vanguard | 0 | 5,788,996 | 1,149.98 | 2.14 | 1.10 |
| 9 SEB Funds | 0 | 4,941,913 | 981.71 | 1.82 | 0.94 |
| 10 Swedbank Robur Funds | 0 | 4,575,283 | 908.88 | 1.69 | 0.87 |

Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

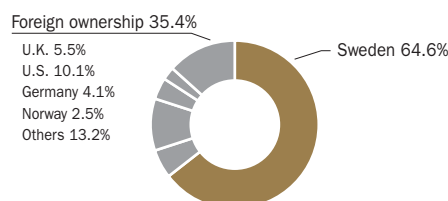
³⁾ TREL A is not traded on any marketplace but is assessed as having the same value as TREL B.

Owner types, % of capital



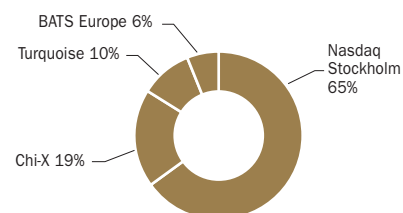
Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

Owner by country, % of capital



Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.

Trading platforms for the Trelleborg share, % of total trading



Source: SIX Financial Information

Distribution of shares, December 31, 2017

| No. of shares | No. of shareholders | Percentage of total no. of shares, % |
|----------------|---------------------|--------------------------------------|
| 1 – 1,000 | 41,161 | 82.8 |
| 1,001 – 5,000 | 7,054 | 14.2 |
| 5,001 – 20,000 | 1,126 | 2.3 |
| 20,001 – | 368 | 0.7 |
| Total | 49,709 | 100.0 |

Number of shares, voting rights and share class

| Class of share | % of capital | Shares | % of voting rights |
|----------------|--------------|--------------------|--------------------|
| Series A | 10.5 | 28,500,000 | 54.0 |
| Series B | 89.5 | 242,571,783 | 46.0 |
| Total | 100.0 | 271,071,783 | 100.0 |

Source: Monitor by Modular Finance AB. Compiled and processed data from Euroclear, Morningstar and the Swedish Financial Supervisory Authority, among others.



THE GROUP IN BRIEF

TARGETS AND OUTCOMES

RESOURCES

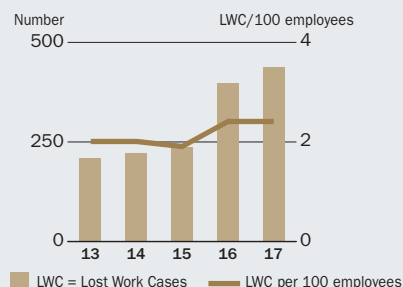
Health and safety

Focus and target: The key figure of occupational injuries and illnesses with at least one day's absence is defined as Lost Work Cases (LWC) per 100 full-time employees per year.

In addition, the number of working days lost due to occupational injuries and illnesses is measured.

Outcome: In 2017, the average outcome was 2.4 LWCs (2.4) per 100 employees. The figure is thus stable despite the inclusion for the full year of recently acquired units with, on average, a higher number of injuries. However, the average number of days lost per injury was higher than in the preceding year: 30.3 (24.1).

Health and Safety



Climate

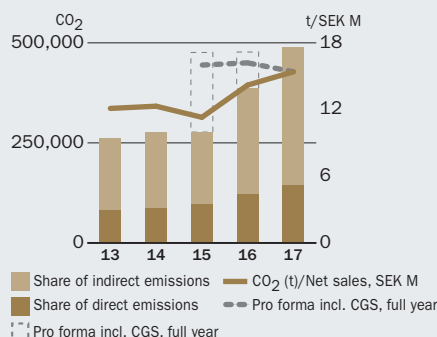
Focus and target: The “20 by 20” target aims to reduce direct and indirect CO₂ emissions (Scope 1 and 2) by at least 20 percent relative to sales by 2020 (compared with base year 2015 and the pro forma value of 16.0 metric tons/SEK M, see below and pages 55–57 for more information).

Outcome: In 2017, the value was 15.4 metric tons/SEK M (14.2), with the increase compared with 2016 attributable to the recently added units with more energy-intensive manufacturing having completed their first full year as part of the Group.

However, compared with the pro forma value for 2016 of 16.2, this year's value is clearly lower and points to an improvement in both energy efficiency and the transition to green energy sources.

Refer to pages 55–59 for details, including the “20 by 20” target for the years ahead.

Climate impact



SALES GROWTH

EBIT MARGIN

RETURN ON SHAREHOLDERS' EQUITY

REGULATORY COMPLIANCE

Anti-corruption and human rights

Focus and target: Zero tolerance applies to bribery, corruption, cartel and other criminal behavior, child and forced labor, and discrimination (reported and reviewed). The goal was for 85 percent of employees to have completed Code of Conduct training during the year.

Outcome: Zero cases (0) of significant breaches of laws and permits that resulted in legal consequences or fines were reported in 2017. Furthermore, zero cases (0) of child labor or forced labor were reported. Of 5 reported cases of discrimination (5), a settlement was reached between the parties or other measures were taken in 4, while 1 case is still being processed.

During the year, 18 matters (14) were reported via the whistleblower system. In some cases, reviews were carried out, which identified non-compliances with the Group's Code of Conduct and policies, and relevant measures were taken in these cases. 83 percent of employees received training in the Code of Conduct during the year.

Suppliers

Focus and target: The goal is to only work with suppliers who adhere to the applicable sections of Trelleborg's Code of Conduct.

Audit in the form of self-assessment is to be completed with suppliers corresponding to 80 percent of the relevant global purchasing value in the production units, as defined by Trelleborg.

Outcome: Trelleborg met the defined target level. Suppliers corresponding to about 84 percent (81) of the relevant purchasing value defined by Trelleborg were assessed.

Refer to page 52 regarding supplier audits and how they strengthen supplier review activities.

FINANCIAL

RESOURCES

REGULATORY COMPLIANCE

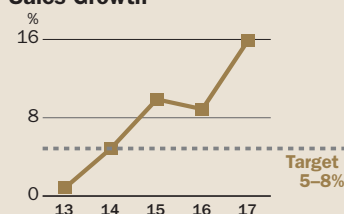
TARGET OR

TARGET 5–8%

Total sales growth, including organic growth in excess of the underlying market growth for continuing operations over an economic cycle

OUTCOME: 16%

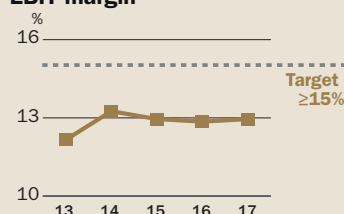
Sales growth of 16 percent (9) was primarily acquisition-driven. Organic sales increased 4 percent and structural changes contributed 12 percent.

Sales Growth**TARGET ≥ 15%**

EBIT margin, excluding items affecting comparability for continuing operations over an economic cycle

OUTCOME: 13%

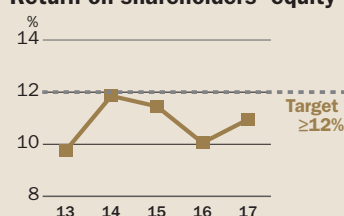
The EBIT margin of 13.0 percent (12.9) increased slightly compared with the preceding year, driven by continued favorable efficiency and cost control in addition to strong market positions.

EBIT margin**TARGET ≥ 12%**

Return of shareholders' equity (ROE) for continuing operations over an economic cycle

OUTCOME: 11%

Return on equity for continuing operations rose to 11.0 percent (10.1). The change is attributable to the improved earnings during the year.

Return on shareholders' equity ¹⁾

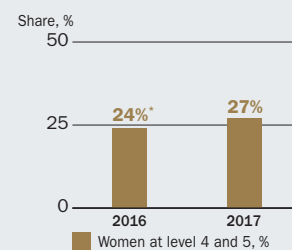
¹⁾ Including items affecting comparability.

DIVERSITY

Focus and target: Trelleborg works to achieve a balanced mix in terms of age, ethnicity and gender, especially at management levels.

As of 2016, the aim is to continuously increase the share of female managers at management levels 4–5.

Outcome: In 2017, the share of women at management levels 4–5 in Trelleborg's units was 27 percent (24), an improvement on the preceding year. The share of women for the organization as a whole is 24 percent (refer to page 59). The share of women in Group management is 10 percent (9), and on the Board 38 percent (33).

Gender distribution at management levels 4–5

*Excluding CGS employees.

SOCIETY

Focus and target: Trelleborg supports the local communities in which it operates by participating in a variety of social activities, and at selected locations by providing support for teaching and educational activities for young people, often with a focus on meaningful leisure activities. These operations are to be continuously developed over time by adding new programs.

Outcome: In many of the places where Trelleborg operates, the company has partnerships with, for example, schools, universities and interest groups. With regard to sports sponsorship, youth activities are prioritized, while the company is also involved in a number of special programs that support child and youth development in such countries as Sri Lanka, India and Sweden. The program in Sri Lanka was expanded to include another school in 2016 and was formally inaugurated in 2017. Refer to pages 60–61.

TARGETS

DIVERSITY

SOCIETY

MENTATION

GROWTH AND BETTER EARNINGS



ULF BERGHULT, CHIEF FINANCIAL OFFICER

“Underlying organic sales growth and a positive impact from acquired units drove the increase in consolidated net sales during the year.

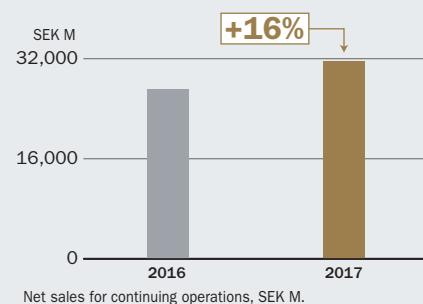
The market trend was positive in most segments served by Group. The market situation improved in general industry in most geographic markets. The agricultural sector and the automotive industry generally performed well. In oil & gas, the market conditions were challenging, a situation that was partially offset through proactive cost adjustments.

Net sales and EBIT reached the highest levels to date on a full-year basis.

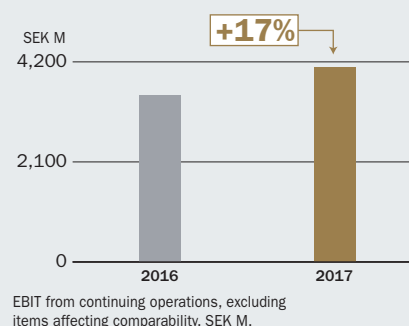
Work aimed at focusing the operations and increasing presence in attractive market segments is continuing, primarily on the basis of organic initiatives, but the contribution from acquired operations was also significant in 2017.

Overall, the integration in 2016 of the acquired CGS units developed in a satisfactory manner during the year.”

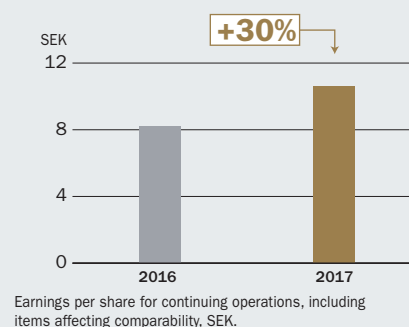
A Net sales



B EBIT



C Earnings per share



SENSITIVITY ANALYSIS

The calculations have been made based on figures from the end of the year and on the assumption that all else is equal.

Costs

» The annual cost of purchasing materials and services for 2017 amounted to approximately SEK 15,365 M. Employee remuneration amounted to SEK 9,280 M. An increase or reduction in purchasing costs of 1 percent would reduce or increase EBIT by approximately SEK 155 M. Correspondingly, an increase in the cost for employees of 1 percent would lead to a reduction in EBIT of approximately SEK 90 M. However, Trelleborg's cost control and strong market position, combined with margin discipline, mean that when costs for raw materials

LONG-TERM FINANCIAL GUIDANCE

- » Dividend: 30–50 percent of net earnings
- » Capital expenditures: ~ 4–5 percent in relation to sales
- » Gearing net debt/equity: 50–100 percent

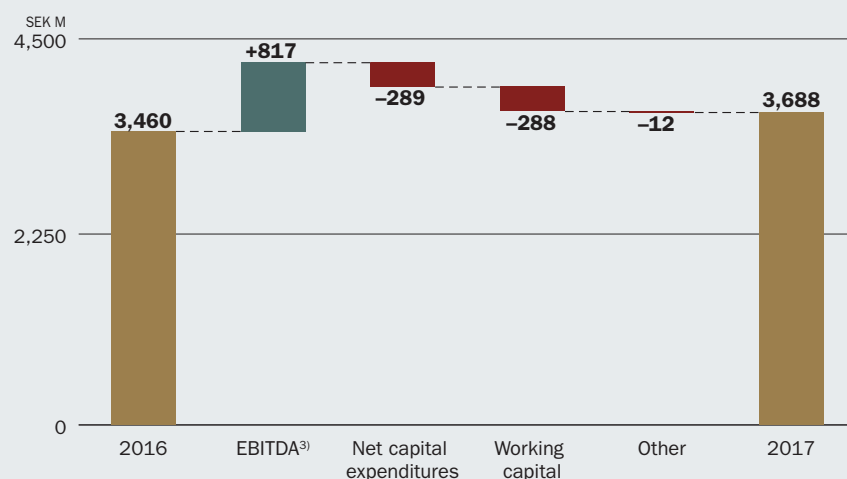
FINANCIAL GUIDANCE 2018

- » Restructuring costs: ~ SEK 250 M
- » Capital expenditures: ~ SEK 1,800–2,000 M
- » Underlying tax rate: ~ 26 percent
- » Amortization of intangible assets: ~ SEK 300 M

| Key figures, continuing operations, SEK M | | 2017 | 2016 | Change, % |
|---|---|--------|--------|-----------|
| A | Net sales | 31,581 | 27,145 | 16 |
| E | Organic sales, % | +4 | -5 | |
| | Structural changes, % | +12 | +15 | |
| | Exchange rate effects, % | 0 | -1 | |
| B | EBIT, excluding items affecting comparability | 4,091 | 3,496 | 17 |
| | EBIT margin, % | 13.0 | 12.9 | |
| F | Items affecting comparability | -69 | -391 | |
| | EBIT | 4,022 | 3,105 | 30 |
| | Profit before tax | 3,792 | 2,896 | 31 |
| | Net profit, discontinuing operations | - | 4,369 | |
| | Net profit | 2,874 | 6,585 | -56 |
| C | Earnings per share for continuing operations, SEK ¹⁾ | 10.60 | 8.18 | 30 |
| | Earnings per share, Group total, SEK ¹⁾ | 10.60 | 24.30 | -56 |
| D | Operating cash flow | 3,688 | 3,460 | 7 |

¹⁾ Including items affecting comparability.

D Operating cash flow, change between 2016 and 2017 ²⁾



²⁾ Excluding items affecting comparability.

³⁾ Including other non-cash items.

Continuing operations

Continuing operations encompasses the Group's five business areas, the Rubena and Savatech operations, central staff functions and a Group-wide operation.

Net sales

E Organic sales

Organic sales growth is the sales growth that Trelleborg generates through its own operations and in its existing structure, for example, through new sales initiatives.

Structural changes

Structural change is either sales growth that Trelleborg creates through acquisitions or a reduction that occurs as a result of a divestment. For more information concerning acquisitions in 2017, refer to page 31.

Exchange rate fluctuations

Exchange rate fluctuations impact the Group's sales and earnings when translating the foreign operations from local currencies to SEK.

F Items affecting comparability

Items affecting comparability refers to, for example, costs for restructuring programs not included in normal operations. They should therefore be subtracted to provide a more accurate indication of how the underlying operations are performing.

For complete income statements, balance sheets and cash-flow statements, refer to pages 85–93.

increase, the Group as a premium supplier does not need to raise its prices in percentage terms as much as its competitors to compensate for higher raw material prices.

- » A reduction or increase in interest rates of 1 percent would have a positive or negative effect on net financial earnings of approximately SEK 25 M based on the current level.

Currency impact

- » Trelleborg's earnings are largely generated outside Sweden. Exchange rate fluctuations therefore impact the Group's sales and earnings when translating the foreign operations from local currencies to SEK. Based on 2017's EBIT in local currency, a 5-percent depreciation or appreciation of SEK against all currencies would have led to a positive or negative impact of approximately SEK 200 M on consolidated EBIT in 2017.

- » Trelleborg is principally exposed to USD, EUR, GBP and CZK. Based on 2017's currency flows, the year's EBIT would have increased or decreased by approximately SEK 110 M in the event of a 5-percent appreciation or depreciation of USD, EUR, GBP and CZK against SEK.

Tax accounting

- » The Group complies with tax laws and regulations in all of the countries in which it has operations. Trelleborg will apply new rules on tax reporting as they are introduced in local legislation.
- » Trelleborg considers tax to be part of its corporate responsibility and its social responsibility for the Group to contribute to public welfare. Taxes as a portion of the total value created by Trelleborg, as reported on page 29, have been part of the CR Report ever since the company started to follow the GRI guidelines.

Price fluctuations

- » 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.

Trelleborg Coated Systems

BUSINESS AREA

Trelleborg Coated Systems is a leading global supplier of unique customer solutions for polymer-coated fabrics deployed in several industrial applications.



“ We see development and expansion opportunities in several segments, niches and geographies, particularly for our polyurethane-coated fabrics. Our ambition is also to secure our world-leading position in printing blankets by remaining at the leading edge of technology.

A focus area for 2018 will be the integration of the majority of Savatech's operations, which offer, for example, printing blankets, conveyor belts and other products in the area of polymer solutions.”



Dario Porta,
Business Area President

Polymer engineering. The development and production of polymer-coated fabrics requires expertise and applications know-how in the field of polymer engineering. From polymer-coated fabrics, printing blankets are made for all types of printing as well as engineered coated fabrics that form part of a large number of products, from aerospace to healthcare equipment. A common feature of the products is their high technological content and their critical role in the overall solution.

The business area is global in terms of its production capacity and has major local presence in terms of sales and customer support. In recent years, the focus has expanded from Europe to North and South America, although Asia is also becoming an increasingly important market. High among the priorities are continuing to develop an even more specialized and niche-oriented market offering that includes investments in innovation and a focus on improved customer service.

In 2017, for example, an investment program was concluded at a French production site that manufactures composite carrier sleeves for flexo printing. This facility

was upgraded with new equipment for better capacity utilization, while the operative structure was also changed to further improve customer service.

From 2018, the majority of Savatech's operations are also included in the business area. Savatech was a part of CGS Holding and has been independent of Trelleborg's business area structure, see also page 24.

Sales and earnings 2017. Organic sales declined 3 percent compared with 2016. Sales of coated fabrics declined during the year. North America had a positive organic performance, although this could not fully offset the lower sales in Europe and Asia. Organic sales of printing blankets decreased during the year, with Asia noting a stable trend while the performance in other regions was weaker.

EBIT and the EBIT margin declined year on year, due primarily to production disruptions at the beginning of the year and waning volumes. Measures to improve profitability are proceeding according to plan. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 5 M on EBIT compared with 2016.

MARKET SEGMENT

General industry: Printing and coating plate solutions for all types of offset printing, as well as flexo and digital printing. Carrier sleeve product line for packaging flexo printing. Coated fabrics and calendared materials for multiple industrial applications including belts, gaskets, seals and hoses, as well as healthcare & medical accessories, such as wound retractors, cuffs and mattresses.

Transportation equipment: Coated fabrics for train bellows, among other applications.

Aerospace: Coated fabrics used in, for example, aircraft evacuation slides, aerostats, life rafts, helicopter safety floats and thermal protections for space rockets.

Light vehicles: Calendared materials for brake shims and belts, for example.

PRODUCTION UNITS: Brazil, China, France, Italy, Slovenia, Sweden, the U.K. and the U.S.

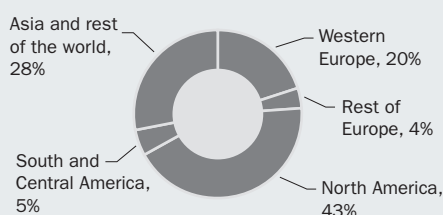
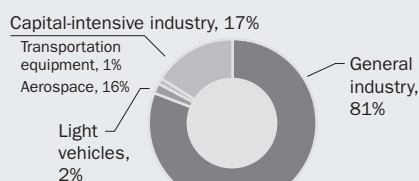
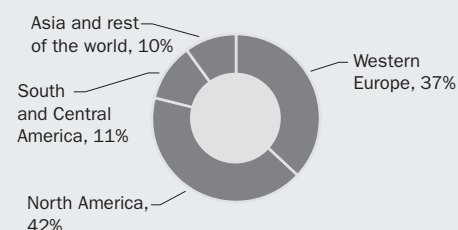
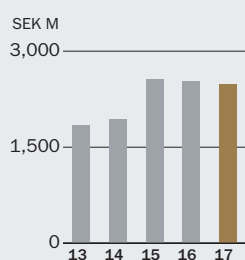
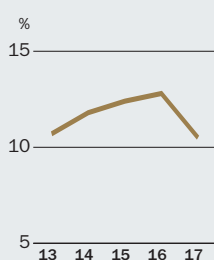
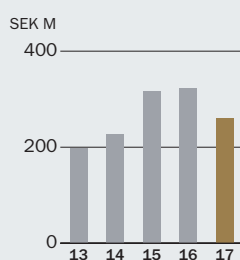
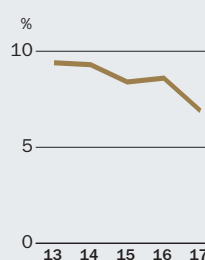
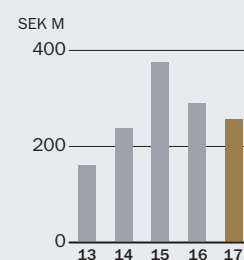
MARKET OFFICES: Austria, Brazil, China, France, Italy, Japan, Slovenia, Sweden, the U.K. and the U.S.

EXAMPLES OF BRANDS/

PRODUCT NAMES: Axcyl®, Printec®, Rollin®, Sava and Vulcan®.

KEY CUSTOMERS: Companies mainly active in the general industry segment, including the graphic industry, the healthcare and medical industry and aerospace industry.

PRINCIPAL COMPETITORS: Continental, Flint Group, Kinyo, Lamcotec, Meiji and Pennel & Flipo.

**Net sales
per geographic market, %****Net sales
per market segment, %****Employees
per geographic market, %****Net sales****EBIT margin****EBIT****ROCE****Operating cash flow**

**BUSINESS AREA
LONG-TERM TARGET FOR
EBIT MARGIN
>15%**

| Key figures, excluding items affecting comparability, SEK M | 2017 | 2016 |
|--|-------|-------|
| Net sales | 2,476 | 2,526 |
| Share of consolidated net sales, % | 8 | 9 |
| EBIT | 260 | 323 |
| EBIT margin, % | 10.5 | 12.8 |
| Capital employed | 3,614 | 3,863 |
| Return on capital employed (ROCE), % | 6.9 | 8.6 |
| Capital expenditures | 95 | 69 |
| Operating cash flow | 257 | 290 |
| Operating cash flow/operating profit, % | 99 | 90 |
| Number of employees at year-end, including insourced staff and temporary employees | 1,194 | 1,248 |

Trelleborg BUSINESS AREA Industrial Solutions

Trelleborg Industrial Solutions is a leading supplier of polymer-based critical solutions in such industrial application areas as selected hose and sealing systems and antivibration solutions for rail vehicles, vessels and industrial equipment.



“We continue to build leading positions in attractive niches throughout the world. A long-term ambition is to expand further in the Asian market by applying a more customized business model.

A focus area for 2018 will be the integration of the majority of Rubena's operations, which offer, for example, engineered polymer solutions for seals, sealing profiles and specialty molded components.”

Jean-Paul Mindermann,
Business Area President



Application expertise. The products in the business area are highly varied, but the common denominator is that Trelleborg brings a high level of applications expertise. Every solution is driven by in-depth knowledge of a specific, and often niche, application. Understanding of the market and close cooperation with customers is a critical factor in the development of each solution.

The business area has substantial operations and share of sales in Europe, but has also made acquisitions and grown in other parts of the world in recent years. For example, there have been investments in expanded production of automotive boots in both China and Mexico.

Some current priorities are the development and further improvement of the existing day-to-day operations. In particular, this will require being even better at leveraging the local demand that exists in the various niches in different parts of the world. It also involves the development of new products and solutions, technologies and materials. In this respect, much has happened during the year in, for example, marine hoses that handle oil and gas, see more on page 43.

From 2018, the majority of Rubena's operations are also included in the business area. Rubena was a part of CGS Holding and has been independent of Trelleborg's business area structure, see also page 24.

Sales and earnings 2017. Organic sales rose 5 percent compared with 2016. Most geographic markets reported positive organic sales.

EBIT and the EBIT margin increased compared with the preceding year, due primarily to higher volumes, previously implemented acquisitions and completed restructuring measures. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 2 M on EBIT compared with 2016.

MARKET SEGMENT

General industry: Fluid-handling solutions, for example, in hoses, expansion joints and elastomer materials. Antivibration solutions, such as vibration dampers and precision components. Specialized V-belts. Sealing profiles for facades, windows and doors.

Oil & gas: Marine hoses for handling oil and gas.

Infrastructure construction: Pipe seals and repair of drinking water and wastewater systems. Inflatable rubber dams.

Transportation equipment: Vibration-damping and acoustic solutions for rail vehicles and marine applications as well as off-highway and heavy vehicles.

Light vehicles: Polymer boots for drive shafts and steering applications. Vibration-damping and acoustic solutions, as well as rubber components.

PRODUCTION UNITS: Brazil, China, the Czech Republic, Estonia, Finland, France, Germany, India, Lithuania, Mexico, Poland, Spain, Sweden, Turkey, the U.K. and the U.S.

MARKET OFFICES: Austria, Brazil, China, the Czech Republic, Finland, France, Germany, Hungary, India, the Netherlands, Norway, Mexico, Poland, Russia, Spain, Sweden, Turkey, the U.K. and the U.S.

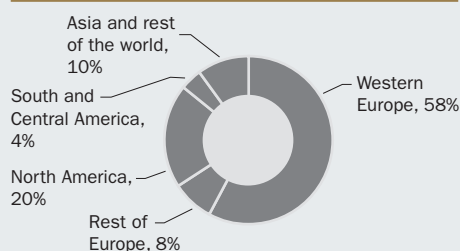
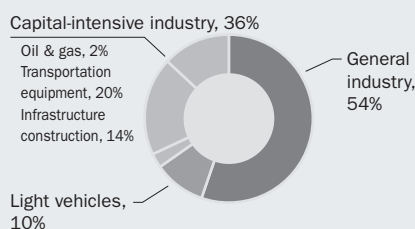
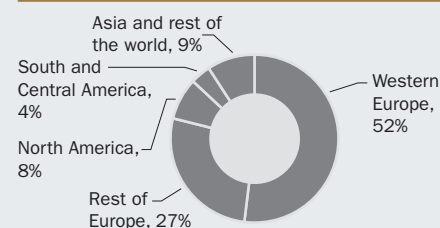
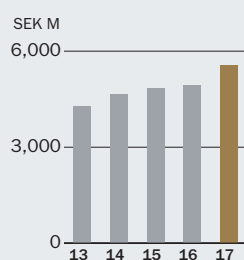
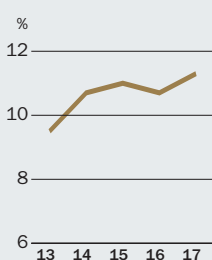
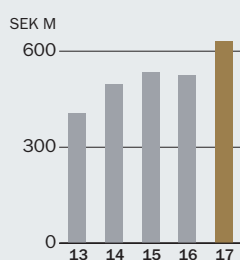
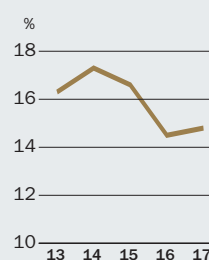
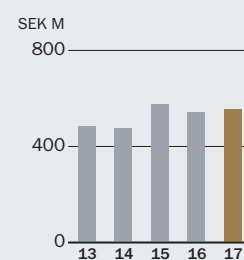
EXAMPLES OF BRANDS/

PRODUCT NAMES: CRYOLINE®, DragonCoat®, epros®, Forsheda®, KLELINE®, Metalastik®,

Novibra®, Power-Lock™, Rubena, Sava, SEALINE®, Sewer-Lock™, TRELLINE® and TRELLVAC.

KEY CUSTOMERS: Companies active in general industry, infrastructure and construction, the transportation industry and offshore oil & gas.

PRINCIPAL COMPETITORS: Continental, Freudenberg, GMT, Hamilton Kent, Hultec, Hutchinson, IVG, Lord, M.O.L., Parker Hannifin, Sanok Rubber, Semperit, Tremco and Tyman.

Net sales per geographic market, %**Net sales per market segment, %****Employees per geographic market, %****Net sales****EBIT margin****EBIT****ROCE****Operating cash flow**

**BUSINESS AREA
LONG-TERM TARGET FOR
EBIT MARGIN
>12%**

| Key figures, excluding items affecting comparability, SEK M | 2017 | 2016 |
|--|-------|-------|
| Net sales | 5,573 | 4,924 |
| Share of consolidated net sales, % | 18 | 18 |
| EBIT | 631 | 525 |
| EBIT margin, % | 11.3 | 10.7 |
| Capital employed | 4,239 | 4,241 |
| Return on capital employed (ROCE), % | 14.8 | 14.5 |
| Capital expenditures | 236 | 172 |
| Operating cash flow | 555 | 543 |
| Operating cash flow/operating profit, % | 88 | 103 |
| Number of employees at year-end, including insourced staff and temporary employees | 3,894 | 3,722 |

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.



“ We are continuing to develop the various parts of the business area in infrastructure construction, where local presence and global reach are key parameters.

We are addressing the challenging situation in offshore oil & gas, but are also preparing ourselves for a recovery with the help of innovative solutions and the right structure.”

Peter Nilsson,

Acting Business Area President



Local presence, global reach. The business area is a dedicated project-based operation. About 55 percent of the business area's solutions are sold to infrastructure projects, such as marine solutions, while the remaining share comprises solutions for offshore oil & gas. What is common to these solutions is that they are designed to perform in the toughest of environments where there is no room for error. Customers feel secure in the knowledge that Trelleborg has so many well-functioning solutions already installed and such a comprehensive list of references in the respective niches. Often there are no industry standards, so customers must feel confident that Trelleborg can tailor effective solutions that meet project requirements without re-inventing the wheel.

The long-term macroeconomic conditions are positive. Globally, there is a major need for investment in energy and infrastructure in both mature and emerging markets. In this context, it is worth mentioning the business area's various marine technologies, which are contributing to the development of the ports of the future, see more on page 44.

The market situation in offshore oil & gas remained challenging in 2017 and the business area adapted the relevant parts of its business to build a more efficient structure, and will be able to benefit from this when the market eventually rebounds.

Sales and earnings 2017. Organic sales declined 12 percent compared with 2016, primarily impacted by the subdued market situation in offshore oil & gas. Market activity in offshore oil & gas rose somewhat in the latter half of the year. The order book for this part of the business area remains at a low level.

EBIT and the EBIT margin were lower compared with the preceding year, mainly as a result of lower project deliveries in offshore oil & gas but also due to lower sales in certain niches in infrastructure construction. Activities to adapt the organization to the lower market activity were carried out during the year and will continue in 2018, including a gradual closure of a plant in the U.S. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 8 M on EBIT compared with 2016.

MARKET SEGMENT

Oil & gas: Polymer-based solutions for exploration and extraction of offshore oil and gas, from platform to seabed, with buoyancy modules, thermal insulation, bend restriction, cable and flowline protection, fire protection and other engineered solutions.

Infrastructure construction: Sealing and vibration-damping solutions for tunnels, bridges and other large construction and civil engineering projects. Marine structures and smart technologies for berthing, docking and mooring in ports and offshore.

PRODUCTION UNITS: Australia, Brazil, China, Denmark, the Netherlands, Norway, Singapore, the U.K. and the U.S.

MARKET OFFICES: Australia, Brazil, China, Denmark, France, India, Indonesia, Japan, the Netherlands, Norway, Singapore, South Africa, South Korea, Sweden, Turkey, the United Arab Emirates, the U.K. and the U.S.

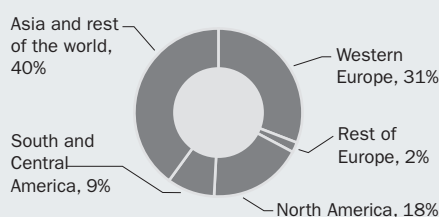
EXAMPLES OF BRANDS/

PRODUCT NAMES: ANDRE, AutoMoor, Elastopipe™, FireNut™, NjordGuard™, RiserGuard®, RedFine+, SCN Supercone, SeaGuard, SeaTechnik™, SmartDock®, SmartPort, Ultra M.I.S., Uraduct® and Vikotherm™.

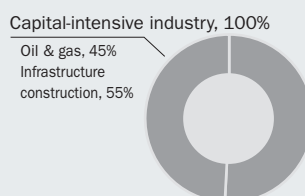
KEY CUSTOMERS: Companies active in offshore oil & gas and companies that construct and manage tunnels, bridges, buildings, ports and shipyards, including construction companies and engineering consultancies.

PRINCIPAL COMPETITORS: AIS, Balmoral, Dätwyler, FenderCare, Hutchinson, Mampaey, Matrix, ShibataFenderTeam, Tekmar and Yokohama.

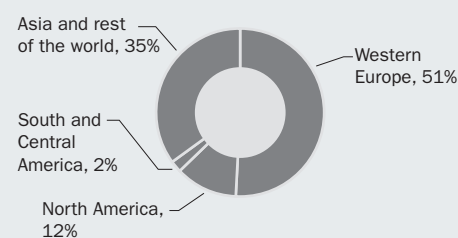
**Net sales
per geographic market, %**



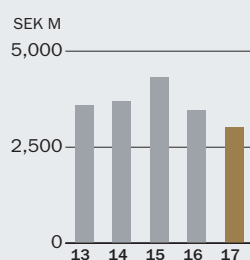
**Net sales
per market segment, %**



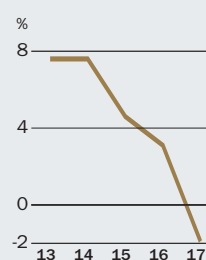
**Employees
per geographic market, %**



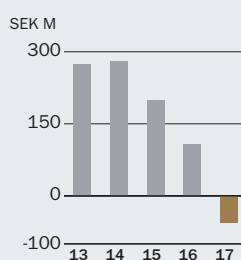
Net sales



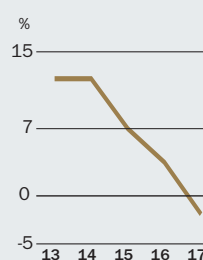
EBIT margin



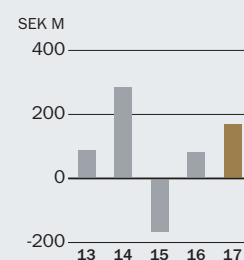
EBIT



ROCE



Operating cash flow



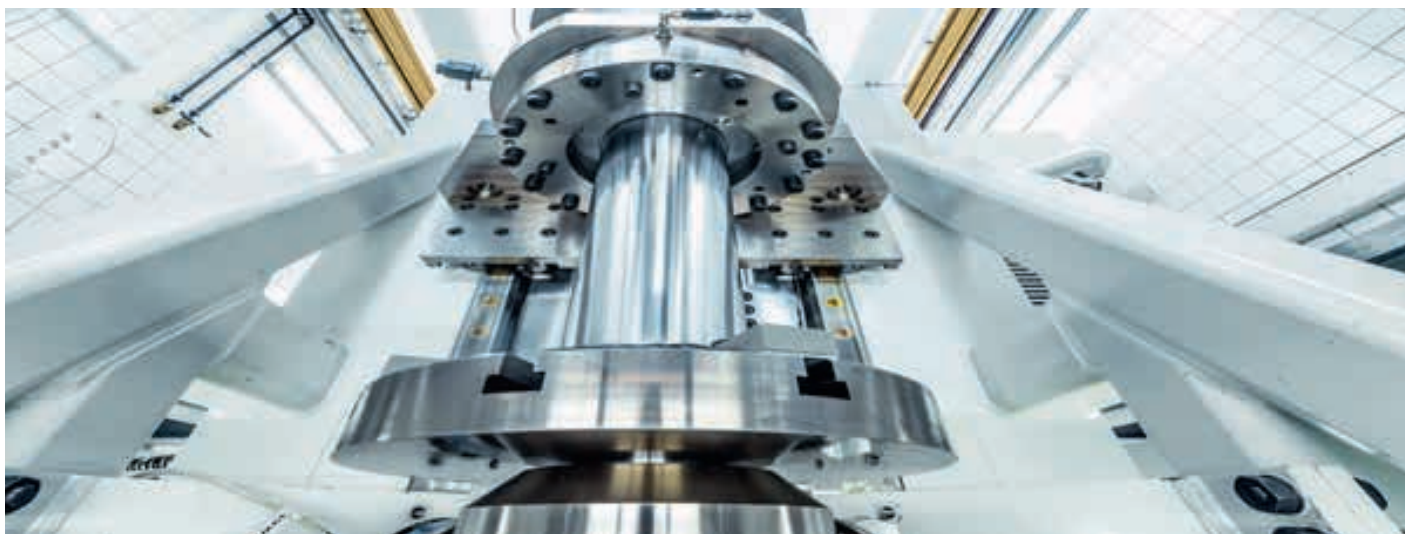
**BUSINESS AREA
LONG-TERM TARGET FOR
EBIT MARGIN
>10%**

Key figures, excluding items affecting comparability, SEK M

| | 2017 | 2016 |
|--|-------|-------|
| Net sales | 3,014 | 3,467 |
| Share of consolidated net sales, % | 9 | 13 |
| EBIT | -56 | 108 |
| EBIT margin, % | -1.9 | 3.1 |
| Capital employed | 2,407 | 3,132 |
| Return on capital employed (ROCE), % | -1.9 | 3.5 |
| Capital expenditures | 75 | 207 |
| Operating cash flow | 169 | 83 |
| Operating cash flow/operating profit, % | neg. | 77 |
| Number of employees at year-end, including insourced staff and temporary employees | 1,659 | 1,949 |

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.



“We are leading the way in new solutions that make it easy for customers to do business with us. There is a high pace of development in the business area. We are continuously developing new products and solutions. An area deemed to have major potential is e-mobility, on which we are placing additional focus.

Geographically, we can see that there are development opportunities in Asia and the Americas.”



Peter Hahn,
Business Area President

Business accelerator. Developing the optimal solution for customers’ sealing challenges forms the basis for how the business area acts; from concept to delivery. Cooperation with and understanding of the customers’ business and their markets is an important parameter, as is being a partner who it is easy to do business with.

The business area focuses on multi-dimensional growth; in geographies and segments, in innovation and new business models. For example, in 2017, the acquisition of a U.S. manufacturer of advanced composites for aerospace applications, the acquisition of a U.S. distributor of seals for chemical transportation, the launch of several new products and the roll out of the e-commerce platform, Seals-Shop.com.

The ambition is to remain leading in selected segments and niches. The aerospace segment and niches in healthcare & medical are deemed to have major potential for the business area. E-mobility is another attractive area with extensive opportunities, as is the further development of Seals-Shop.com, geographically and in terms of the product range. Western Europe

accounts for a relatively large proportion of sales today and thus an increased focus on emerging markets in Asia, and the Americas, is called for.

Sales and earnings 2017. Organic sales rose 8 percent compared with 2016. All geographic regions demonstrated a positive organic performance, with sales increasing to general industry and the automotive and aerospace industries. The strongest organic growth was noted in Asia, driven primarily by favorable sales to general industry.

EBIT rose primarily as a result of higher volumes, acquisitions and effective cost control. The EBIT margin was maintained at a high level throughout the year, despite a certain impact from completed acquisitions with lower margins. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 9 M on EBIT compared with 2016.

MARKET SEGMENT

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

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

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

Transportation equipment: Specially engineered sealing solutions in, for example, trains.

Agriculture: Sealing configurations for hydraulic equipment in, for example, tractors.

Oil & gas: Specialty seals in various oil and gas installations.

PRODUCTION UNITS: Brazil, Bulgaria, China, Denmark, France, India, Italy, Malta, Mexico, Poland, Sweden, Switzerland, the U.K. and the U.S.

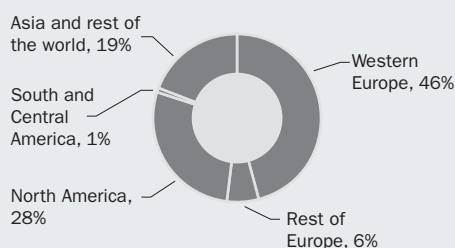
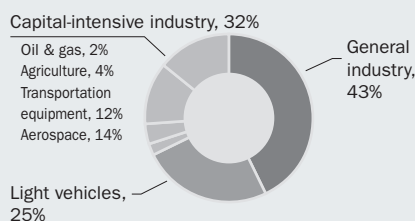
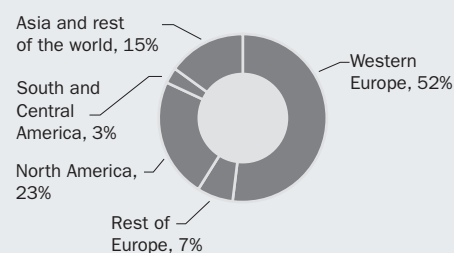
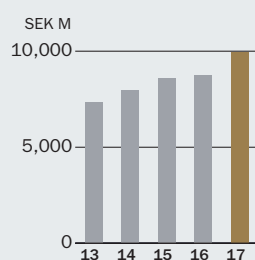
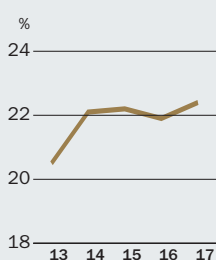
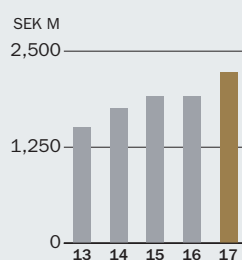
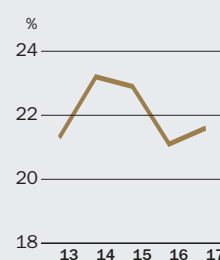
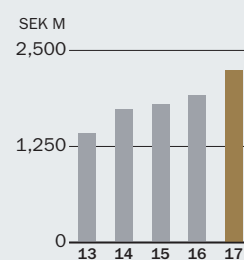
MARKET OFFICES: Austria, Belgium, Brazil, Bulgaria, Canada, China, Croatia, the Czech Republic, Denmark, Finland, France, Germany, Hong Kong, Hungary, India, Italy, Japan, Mexico, the Netherlands, Norway, Poland, Russia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, Turkey, the U.K. and 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: Global companies active primarily in general industry, including the healthcare & medical industry, and suppliers to aircraft and light vehicle manufacturers.

PRINCIPAL COMPETITORS: Federal Mogul, Fenner, Freudenberg, Greene Tweed, Hutchinson, Meggitt, NOK, Parker Hannifin, Saint Gobain, SKF, TA Kirkhill and Wolverine.

Net sales per geographic market, %**Net sales per market segment, %****Employees per geographic market, %****Net sales****EBIT margin****EBIT****ROCE****Operating cash flow**

**BUSINESS AREA
LONG-TERM TARGET FOR
EBIT MARGIN
>22%**

| Key figures, excluding items affecting comparability, SEK M | 2017 | 2016 |
|--|--------|--------|
| Net sales | 9,956 | 8,771 |
| Share of consolidated net sales, % | 31 | 33 |
| EBIT | 2,231 | 1,919 |
| EBIT margin, % | 22.4 | 21.9 |
| Capital employed | 10,258 | 10,359 |
| Return on capital employed (ROCE), % | 21.6 | 21.1 |
| Capital expenditures | 387 | 318 |
| Operating cash flow | 2,241 | 1,919 |
| Operating cash flow/operating profit, % | 100 | 100 |
| Number of employees at year-end, including insourced staff and temporary employees | 6,356 | 6,047 |

Trelleborg Wheel Systems

BUSINESS AREA

Trelleborg Wheel Systems is a leading global supplier of tires and complete wheels for agricultural machines, material handling and construction vehicles, and two-wheeled vehicles.



“Behind us, we have a labor-intensive but successful year as a result of the integration of CGS Holding’s tire business. We worked with this integration in two steps, the first being to secure and develop customer relations. We are still implementing the second step, which is to optimize our production structure and thus our capacity utilization.

Several exciting innovations were presented during the year and more are in the pipeline.”



Paolo Pompei,
Business Area President

Customer integration. The business area’s close customer cooperation is directing its global approach to address the market and industrialization shifts that are taking place around the world. Local presence and global reach have become key drivers in the business strategy. Both of these areas are inextricably linked for both agricultural tires and tires for material handling and construction vehicles.

There are two cooperation levels for agricultural tires. The first is professional farmers. Through various training initiatives, they are able to both experience Trelleborg’s solutions and measure the benefits using digital tools. The second level is major tractor manufacturers, where the business area has extensive co-engineering and co-marketing programs.

For material handling vehicles such as forklifts, the business area offers Interfit, a unique tire replacement service for the global material handling industry.

The business area continued its integration work with CGS Holding’s tire business, Mitas, during the year. Through the acquisition, the business area also secured a stronger position in the market for tires for

construction vehicles. At the same time, several product innovations were launched, including the Variable Inflation Pressure in precision farming, see more on page 44. The long-term ambition is to remain market leader in selected niches, with unique expertise and offerings.

Sales and earnings 2017. Organic sales increased 12 percent compared with 2016. Structural growth contributed 30 percent in total, mainly attributable to the CGS acquisition. The organic sales trend for tires for agricultural machinery, material handling vehicles and construction machinery developed well, with the improvement gaining momentum during the year.

EBIT rose sharply, mainly due to the implemented acquisitions and higher volumes. The EBIT margin was on a par with the preceding year, despite a sharp increase in raw material prices in the first six months of the year which resulted in significant temporary additional costs. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 2 M on EBIT compared with 2016.

MARKET SEGMENT

Agriculture: Tires and complete wheels for tractors and other vehicles used in agriculture and forestry.

Transportation equipment: Tires and complete wheels for material handling vehicles, including forklifts and other highly utilized and high-load material handling vehicles, such as construction vehicles. High-performance tires for bicycles and motorcycles.

PRODUCTION UNITS: Brazil, China, the Czech republic, Italy, Latvia, Serbia, Slovenia, Sri Lanka, Sweden and the U.S.

MARKET OFFICES: Australia, Austria, Belgium, Brazil, China, the Czech Republic, Denmark, Finland, France, Germany, Indonesia, Italy, Latvia, Malaysia, Mexico, the Netherlands, Poland, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, the United Arab Emirates, the U.K. and the U.S.

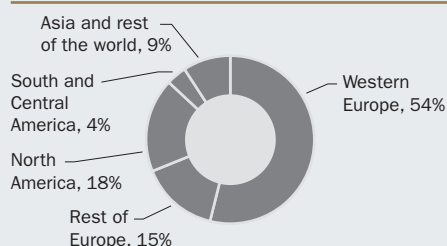
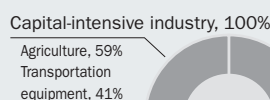
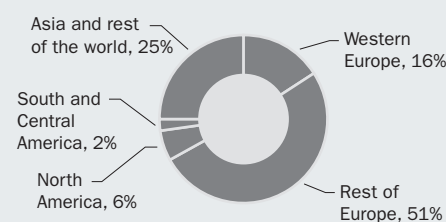
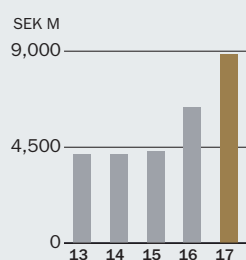
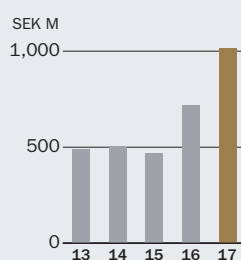
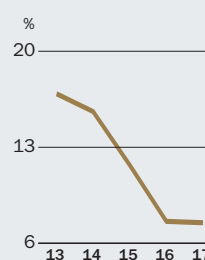
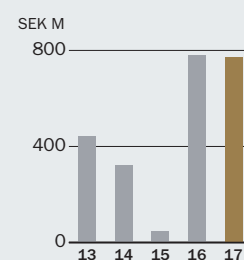
EXAMPLES OF BRANDS/

PRODUCT NAMES: Brawler, Cultor, Interfit, I-Rent, Maximo, Mitas, Trelleborg, Trelleborg Elite XP, Trelleborg M² and Pit Stop Line.

KEY CUSTOMERS: Manufacturers and distributors of agricultural and forestry machinery, and end-customers. Manufacturers and

distributors of forklifts, distributors of tires and tire service companies for material handling vehicles and construction vehicles. Suppliers of custom-made bicycles and motorbikes.

PRINCIPAL COMPETITORS: Advance Tyre, Aichi, Armour, BKT, Camso, Continental, Double Coin, Bridgestone, Goodyear/Titan, GRI Tires, Marangoni, Michelin, Nexen, Triangle and Yokohama.

Net sales per geographic market, %**Net sales per market segment, %****Employees per geographic market, %****Net sales****EBIT margin****EBIT****ROCE****Operating cash flow**

**BUSINESS AREA
LONG-TERM TARGET FOR
EBIT MARGIN
>15%**

Key figures, excluding items affecting comparability, SEK M

| | 2017 | 2016 |
|--|--------|--------|
| Net sales | 8,878 | 6,354 |
| Share of consolidated net sales, % | 28 | 23 |
| EBIT | 1,016 | 720 |
| EBIT margin, % | 11.4 | 11.3 |
| Capital employed | 13,936 | 13,058 |
| Return on capital employed (ROCE), % | 7.5 | 7.6 |
| Capital expenditures | 403 | 302 |
| Operating cash flow | 773 | 780 |
| Operating cash flow/operating profit, % | 76 | 108 |
| Number of employees at year-end, including insourced staff and temporary employees | 7,251 | 7,365 |

Rubena Savatech

Rubena Savatech is a leading supplier of engineered polymer solutions to the general and the automotive industries. The business was acquired in 2016 as a part of CGS Holding and has been recognized independently of Trelleborg's business areas.

From the beginning of 2018, the business will be integrated with Trelleborg Industrial Solutions and Trelleborg Coated Systems.



The companies Mitas, Rubena and Savatech were included in CGS Holding. Some tire-related operations formed part of all three companies but were integrated and reported in Trelleborg Wheel Systems as of 2016. It is the non-tire-related operations, Rubena Savatech, that will be integrated into Trelleborg Industrial Solutions (59 percent) and Trelleborg Coated Systems (42 percent)^{1) 2)} as of 2018.

Rubena offers, for example, engineered polymer solutions for seals, sealing profiles and specialty molded components.



Trelleborg Industrial Solutions

Savatech offers, for example, engineered polymer solutions for printing blankets, conveyor belts and other products in the area of polymer solutions.



Trelleborg Coated Systems

¹⁾ A minor associated company will be recognized under Group items until further notice.

²⁾ Including an elimination item of -1 percent.

Sales and earnings 2017. Rubena Savatech demonstrated stable sales, although impacted by the labor shortage in parts of the business units. Capacity utilization for most product lines remained at a high level. A number of investment projects aimed at increasing manufacturing capacity for selected niche products are ongoing and will gradually enable increased growth and profitability. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 2 M on EBIT compared with 2016.

EBIT and the EBIT margin were impacted by effects of the labor shortage and were charged with costs associated with preparations ahead of the consolidation with the Trelleborg Industrial Solutions and Trelleborg Coated Systems business areas, which took place at the beginning of 2018.

| Key figures, excluding items affecting comparability, SEK M | 2017 | 2016* |
|--|-------|-------|
| Net sales | 1,933 | 1,063 |
| Share of consolidated net sales, % | 6 | 4 |
| EBIT | 166 | 112 |
| EBIT margin, % | 8.6 | 10.5 |
| Capital employed | 2,938 | 2,665 |
| Return on capital employed (ROCE), % | 6.0 | 7.1 |
| Capital expenditures | 183 | 38 |
| Operating cash flow | 124 | 133 |
| Operating cash flow/operating profit, % | 75 | 119 |
| Number of employees at year-end, including insourced staff and temporary employees | 2,511 | 2,494 |


* Rubena Savatech's sales and earnings June–December 2016.

THE GROUP IN BRIEF

| SEK M | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|
| Net sales | | | | | |
| Trelleborg Coated Systems | 2,476 | 2,526 | 2,559 | 1,932 | 1,839 |
| Trelleborg Industrial Solutions ¹⁾ | 5,573 | 4,924 | 4,947 | 4,736 | 4,386 |
| Trelleborg Offshore & Construction | 3,014 | 3,467 | 4,331 | 3,697 | 3,587 |
| Trelleborg Sealing Solutions ¹⁾ | 9,956 | 8,771 | 8,596 | 7,951 | 7,361 |
| Trelleborg Wheel Systems | 8,878 | 6,354 | 4,315 | 4,167 | 4,189 |
| Rubena Savatech ²⁾ | 1,933 | 1,063 | – | – | – |
| Group items/Eliminations | –249 | 40 | 55 | 50 | 111 |
| Total | 31,581 | 27,145 | 24,803 | 22,533 | 21,473 |
| EBIT, excluding items affecting comparability | | | | | |
| Trelleborg Coated Systems | 260 | 323 | 317 | 227 | 197 |
| Trelleborg Industrial Solutions ¹⁾ | 631 | 525 | 546 | 446 | 370 |
| Trelleborg Offshore & Construction | –56 | 108 | 199 | 281 | 274 |
| Trelleborg Sealing Solutions ¹⁾ | 2,231 | 1,919 | 1,911 | 1,761 | 1,512 |
| Trelleborg Wheel Systems | 1,016 | 720 | 468 | 504 | 490 |
| Rubena Savatech ²⁾ | 166 | 112 | – | – | – |
| Group items | –157 | –211 | –222 | –218 | –230 |
| Total | 4,091 | 3,496 | 3,219 | 3,001 | 2,613 |
| EBIT margin, %, excluding items affecting comparability | | | | | |
| Trelleborg Coated Systems | 10.5 | 12.8 | 12.4 | 11.8 | 10.7 |
| Trelleborg Industrial Solutions ¹⁾ | 11.3 | 10.7 | 11.0 | 9.4 | 8.4 |
| Trelleborg Offshore & Construction | –1.9 | 3.1 | 4.6 | 7.6 | 7.6 |
| Trelleborg Sealing Solutions ¹⁾ | 22.4 | 21.9 | 22.2 | 22.1 | 20.5 |
| Trelleborg Wheel Systems | 11.4 | 11.3 | 10.8 | 12.1 | 11.7 |
| Rubena Savatech ²⁾ | 8.6 | 10.5 | – | – | – |
| Total | 13.0 | 12.9 | 13.0 | 13.3 | 12.2 |

¹⁾ As of January 1, 2017, some operations previously recognized in the Trelleborg Industrial Solutions business area were transferred to the Trelleborg Sealing Solutions business area. Key figures from earlier years were adjusted for this internal relocation. Total sales transferred from Trelleborg Industrial Solutions amounted to SEK 269 M for full-year 2016 and SEK 16 M for EBIT.

²⁾ Key figures 2016 pertain to the June–December period.



→ A highly powerful test bench for hydraulic rod seals is located at Trelleborg's laboratory in Germany. It is used to qualify the seals used in aircraft landing gears by testing a large number of landing cycles, including ice and water load testing.

POLYMERS POSSESS UNIQUE PROPERTIES TO SEAL, DAMP AND PROTECT

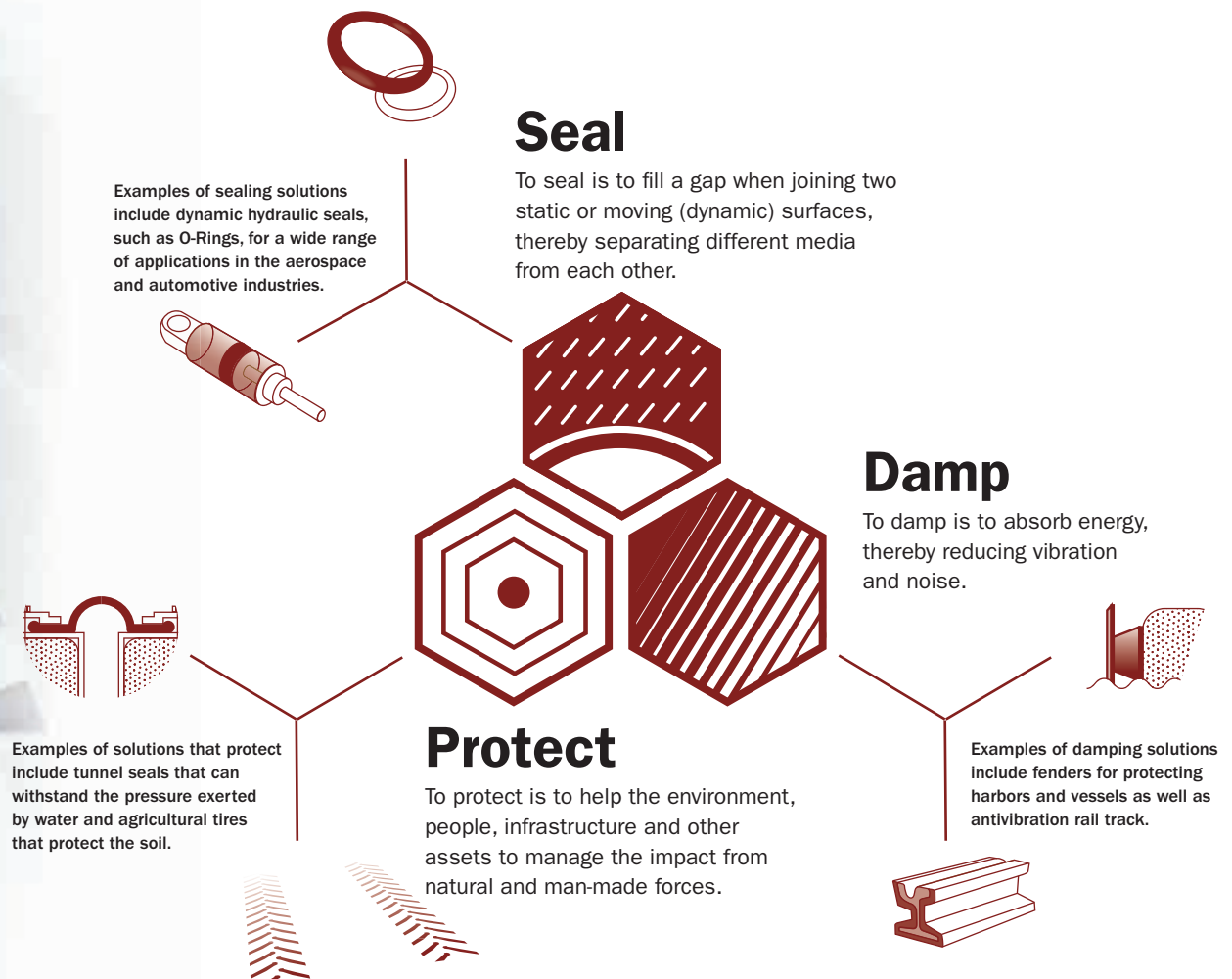
Polymers – rubber, composites and plastics as they are commonly known – are some of the toughest and most versatile materials available. But what are polymers precisely? The short and simple answer is that polymers are our most elastic materials, with unique properties that seal, damp and protect in a range of environments.

Polymers are long chains of molecules that serve as building blocks in rubber and plastics. Rubber is formed from polymeric hydrocarbons. While there is only one chemical variant of natural rubber, synthetic rubber is available in some 20 variants. Natural rubber is derived from the rubber tree, *Hevea Brasiliensis*. Synthetic rubber is usually made using chemicals, with the addition of petroleum (oil). Treated rubber is elastic, water repellent and malleable.

Polymers cannot be defined as a uniform concept. There are many different types of polymers that, with various additives, can have very different properties. The chemical additives and combinations with other materials, such as metals and textiles, determine the end product's properties. Trelleborg uses natural rubber in its large tires, springs and rubber bearings as well as its hoses, seals and engineered coated fabrics.

Synthetic rubber, such as Styrene Butadiene Rubber (SBR) and isoprene rubber, has properties that are similar to those of natural rubber. In mixes these are used as outer rubber in blasting hoses, oil and gasoline hoses, tires and more. Nitrile rubber (NBR) is often used with other types of rubber for added elasticity, abrasion resistance and ability to withstand low temperatures. Ethylene-propylene rubber (EPM/EPDM) are suitable for high temperatures and used for sealing profiles, hoses and more.

Trelleborg's production of the various materials used impacts people and the environment in several different ways. Effects include occupational accidents and illness, energy consumption, climate impact, water consumption and waste and emissions. Read more about these effects and Trelleborg's preventive efforts on pages 46–63.



VALUE GENERATION AT TRELLEBORG



“OUR INNOVATIVE SOLUTIONS ACCELERATE PERFORMANCE FOR CUSTOMERS IN A SUSTAINABLE WAY.”

BUSINESS CONCEPT

Business concept to seal, damp and protect. Trelleborg's business concept is to seal, damp and protect critical applications in demanding environments.

STRATEGY

Strategy for leading positions.

Trelleborg's strategy is to secure leading positions in selected segments. This means that Trelleborg seeks segments, niches and product categories that – by virtue of the Group's market insights, core capabilities and offering of advanced products and solutions – provide market leadership. In this manner, long-term shareholder value and added value are generated for customers.

Trelleborg works with the strategy, both Group-wide and in the business areas, supported by four strategic cornerstones that – individually and in combination – underpin the strategy. The strategic cornerstones are:

- » Geographic balance
- » Portfolio optimization
- » Structural improvements
- » Excellence

Read more on pages 30–33.

CORE CAPABILITIES

» Polymer engineering

Within Trelleborg's selected segments, the Group has pioneered applied polymer-engineering and materials technology for more than a century.

» Local presence, global reach

Wherever Trelleborg conducts business, its employees act as a local partner and leverage the Group's global strength and capabilities.

» Applications expertise

Trelleborg has leading-edge technology and in-depth understanding of the challenges customers must overcome to seal, damp and protect their critical applications.

» Customer integration

Trelleborg always makes it easy to do business with the Group, by integrating closely with markets and customers through multiple channels.

» Business accelerator

Trelleborg works as a proactive and long-term business partner, delivering solutions based on market foresight, contributing to better business for its customers.

CORE VALUES

Trelleborg's core values – customer focus, performance, innovation and responsibility – are long-term commitments that, together with Trelleborg's business concept, targets and strategies, guide the Group when making decisions and conducting business.

RISKS

SUPPLIER-RELATED RISKS

Risks that are beyond the company's direct control upstream in the value chain, but that could nevertheless have a clearly negative impact on people's trust in the company. Refer to page 52.

MAJOR RISKS

A number of risks identified as having a major potential impact on the entire Group and are therefore managed at Group level. Refer to pages 66–69.

FINANCIAL RISKS

Primarily financing and liquidity risks, interest rate and foreign exchange risks, and financial credit risks. Refer to Note 31, pages 118–120.



GENERAL INDUSTRY



OIL & GAS



TRANSPORTATION EQUIPMENT



AGRICULTURE



INFRASTRUCTURE CONSTRUCTION



AEROSPACE



LIGHT VEHICLES

INNOVATION

Better function, better business, better sustainability. The core of Trelleborg's product development is engineered polymer solutions that meet customer-specific requirements for functional properties. In various ways, the purpose of these is also to improve business factors – productivity, costs, sales and profitability – and the sustainability profile for customers.

CORPORATE CULTURE

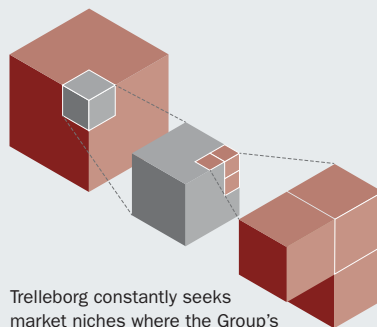
Trelleborg's internal culture. The Trelleborg Group is characterized by far-reaching delegation of responsibilities and authorities. The Group gives its employees extensive freedoms under responsibility and encourages rapid, proactive leadership. Trelleborg has built up a culture over many years that stimulates commitment, responsibility, good ethics in business relationships, and positive interaction with the community in which the Group operates.

FUTURE GROWTH

Future growth investments. Several dimensions must be taken into consideration when prioritizing future growth investments. These may include segments, niches and product categories combined with geographies, regional and local presence, customers and applications that determine the investments, from the perspective of mature and growing markets. Refer to page 41.

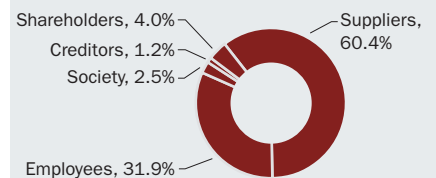
MARKET SEGMENTS

Trelleborg's balanced market. The seven chosen market segments are a mix of general industry, capital-intensive industry and light vehicles, which represent as a whole a favorable balance between early and late cyclical industry. The Group's exposure to various market segments has changed over time to balance the demand. Read more about the market segments on pages 42–45.



Trelleborg constantly seeks market niches where the Group's knowledge provides market leadership.

Distributed value 2017



In total in 2017, Trelleborg's operations generated economic value totaling SEK 32,755 M (27,466) of which SEK 29,127 M (25,053) was distributed among stakeholders as shown in the diagram above and description below:

Suppliers: Payment for material and services: SEK 17,603 M (14,852), Note 4.

Employees: Salaries and benefits: SEK 9,280 M (8,247), Note 4.

Shareholders: Dividend in 2017: SEK 1,152 M (1,084). Long-term dividend policy: 30–50 percent of net profit for the year, refer to page 8.

Creditors: Interest expenses SEK 360 M (277), Note 8.

Society: Taxes paid: SEK 732 M (593), refer to page 60.

CONFIDENCE RISKS

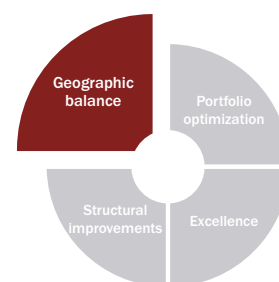
Risks associated with the market's confidence in the company as a reliable player and supplier. Refer to page 65.

OTHER SUSTAINABILITY-RELATED RISKS

Sustainability-related risks – other than identified major risks – whose impact could have serious consequences for the company and its operations. Refer to page 65.

STRATEGY SUPPORTED BY FOUR CORNERSTONES

Trelleborg's strategy of securing leading positions in selected segments is supported by four strategic cornerstones. These are the cornerstones that Trelleborg works with Group-wide and in the business areas to optimize its respective operations and, thereby, capture market leadership. The cornerstones support the strategy individually and in combination.



Enhanced geographic balance

Trelleborg bases its offering on local presence and global reach.

Geographic balance. In recent years, Trelleborg has prioritized strengthening its market presence in selected markets outside Western Europe and North America to further improve the geographic balance.

The principal drivers include proximity to customers in expanding and profitable segments, following them in their globalization processes and developing local customer relationships, which may become global. Trelleborg's long-term ambition is to achieve a geographic balance, where Western Europe and the Rest of the World each account for an expected 40 percent of the Group's sales, while the remaining share is expected to continue being generated in North America.

Local presence, global reach. Trelleborg's local presence in combination with global experience is often critical in business. This especially applies to the aerospace and automotive industries, which are truly global industries.

For example, in aerospace Trelleborg has the capacity to manufacture seals, bearings and airframe solutions using the same uniform standards, drawings and quality requirements worldwide. However, it is also important to have local technical support where customers conduct operations. A global customer can receive help with design and development work in one country while receiving support in manufacturing or assembly in another.

Another example where Trelleborg's local presence and global reach is important is in the automotive industry. What was once a development and production unit in Europe for automotive boots for drive shafts and steering applications to serve European automotive manufacturers is now a global business. At the end of 2016, a completely new production site was opened for automotive boots in Central America and in 2018 a second production site will be opened in Asia.

Geographic distribution of the Trelleborg Group's net sales in 2017

| | 2017 | Long-term vision | |
|-------------------|----------|------------------|--|
| North America | 22% (23) | 20% | |
| Western Europe | 47% (47) | 40% | |
| Rest of the World | 31% (30) | 40% | of which Asia and other markets 16% (17) |
| | | | South and Central America 4% (4) |
| | | | Rest of Europe 11% (9) |



Continued portfolio optimization

Trelleborg is constantly developing its business to ensure its products and solutions create added value, both for customers and shareholders.



Interaction. Trelleborg is driven by an interaction between organic and acquired growth.

The Group pursues focused daily activities involving a number of growth initiatives at different levels and in different areas. The rate of investment is high as is the pace of development for new products and solutions. This could be upgrades or investments in new facilities and the launch of new solutions or business models. The portfolio is being continuously reviewed to assess how the Group can continue to improve its positions in the selected segments.

To establish operations at a faster pace or to strengthen the positions in selected segments, niches or product segments, Trelleborg also carries out bolt-on acquisitions. Divestments also form part of the optimization of the portfolio.

Portfolio optimization via acquisitions.

Trelleborg invests in attractive niches where opportunities exist to achieve competitive advantages and a leading position. This is a central activity and Trelleborg focuses continuously on new acquisitions that can develop the Group.

The portfolio optimization that has taken place, and is continuing today, is primarily within segments, in new geographic areas and in closely-related segments or technologies that broaden Trelleborg's customer offering but also provide risk diversification. During 2017, 3 acquisitions took place that contribute toward strengthening the Group in various ways. Refer to the table below.

Portfolio optimization via divestments.

Trelleborg divests operations with products and solutions assessed as no longer having

or being able to take leading positions in the way the Group desires.

One such example is the compounding operation in the Czech Republic that was divested in 2017. It was concluded that the business could be better developed by another owner as the operations largely sold compounds to customers that could be direct or indirect competitors to Trelleborg, which meant the business was not sustainable in the long term.

| Acquisitions, 2017 ¹⁾ | Sales (2016), SEK M | No. of employees |
|---|------------------------|---------------------|
| Automated Dynamics (manufacturer of advanced components in composites), Trelleborg Sealing Solutions | 65 | 35 |
| White Baumaschinenreifen GmbH (service company in tires), Trelleborg Wheel Systems | 90 | 15 |
| Carolina Seal Inc (seal distributor in chemical transportation), Trelleborg Sealing Solutions | 50 | 20 |
| After year-end: Dartex Holdings Ltd (coated fabrics for healthcare & medical), Trelleborg Coated Systems | 135 | 75 |
| Total | 340 | 145 |
| Divestments, 2017 ¹⁾ | | |
| Compounding operation in the Czech Republic | 300 | 130 |

¹⁾ A list of Trelleborg's acquisitions and divestments since 1999 can be viewed at www.trelleborg.com.

PORTFOLIO OPTIMIZATION IN ANTIVIBRATION SOLUTIONS

Antivibration for Trelleborg involves minimizing noise and protecting against vibrations and shocks in rails and rolling stock, vessels and industrial applications, such as engineering machinery.

Trelleborg combines portfolio optimization of these vibration solutions with product innovation, geographic expansion, structural improvements and acquisitions.

In 2016, Trelleborg acquired the Loggers Rubberteknik engineering company that offers specially developed antivibration solutions for marine applications. That business now functions as a Marine Antivibration Solutions Center, specializing in marine systems for Trelleborg's global operations.

Similarly, the Group's expertise in rolling stock has been gathered under a global Railway Antivibration Solution Center, which was formed as a result of the 2016 acquisition of Schwab Vibration Control, a leading supplier of components and systems.

These acquisitions were particularly significant given that Trelleborg has historically held a strong position in vibration solutions for industrial applications, primarily in Europe. However, since 2008 and 2012, the Group's operations have been expanded to include production capacity in China and India – with solutions for cabs and engines of off-highway vehicles, for example, being produced in China.

At the same time, a high pace of innovation has been maintained in the area. DragonCoat – Trelleborg's patented fire-retardant protective coating for rubber products – is among the solutions attracting the most attention.

Overall, thanks to the growing strength of its combined product range, the operation will be able to grow alongside its customers and in markets such as North America, China, Southeast Asia and India.



Improved structure

Right place for right business ensures optimized structure.

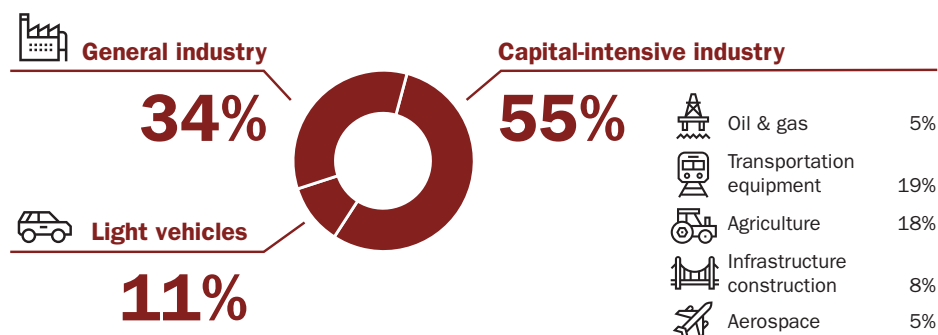


Right place for right business. The globalization of Trelleborg's business involves being in the right location with the right operations. The focus is on developing operations and localizing them to areas where Trelleborg can grow and recruit the right talent and where the job can be done optimally. In certain cases, this means that Trelleborg moves an operation to another geographic market; in other cases, it means upgrading and developing the operation where it is.

For example, Trelleborg has made several investments and structural enhancements in the healthcare & medical industry in recent years, including increased production capacity in Bulgaria and Switzerland, the establishment of a new full-scale production unit in the U.S. and, in 2016, the acquisition of a manufacturer of high-precision silicone components for medical technology OEMs, Specialty Silicone Fabricators.

Trelleborg also consolidates operations to achieve better and more cost-efficient production structures. In 2017, it was announced that the manufacturing of subsea buoys for drilling equipment in deep-water environments is to be gradually discontinued at the facility in the U.S. Production equipment will be transferred and consolidated with operations in the

SEGMENT DISTRIBUTION 2017



U.K., whose manufacturing focuses on other types of subsea buoys and engineered polymer solutions. These structural changes will make the Group's earnings potential and organic sales trend more stable and predictable, while simplifying the structure.

Enhanced market exposure. Trelleborg endeavors to maintain an exposure toward market segments that as a whole have a favorable balance between early and late cyclical industry, meaning general as well as capital-intensive industry, the demand from which often balances each other out. The Group's exposure to various market segments has changed over time. Previously, the automotive industry accounted

for a significant share of Trelleborg's sales, but the Group has now achieved a better balance in relation to its market exposure.

Leading in attractive segments. Trelleborg invests in attractive market segments and ensures optimal market presence as well as an effective and competitive business structure. This includes the development of various offerings in order to make life easier and increase value for customers.

Trelleborg also 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 its structure.

TRELLEBORG'S GLOBAL PRESENCE

The number of employees in the Group at year-end, including insourced and temporary employees, was 23,152 (23,245). Of the total number of employees, 95 percent work outside Sweden.

During the year, the average number of employees in the Group's operations increased to 22,112 (19,423), of whom women accounted for 24 percent (24). Refer to Note 11, page 101.

Salaries and other benefits for employees (excluding insourced employees) in the Group's operations amounted to SEK 7,388 M (6,528).

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

Number of employees at year-end*

| Distributions by country | 2017 | 2016 |
|--------------------------|---------------|---------------|
| Czech Republic | 4,531 | 4,810 |
| U.S. | 2,869 | 2,845 |
| China | 1,628 | 1,613 |
| U.K. | 1,497 | 1,611 |
| Italy | 1,282 | 1,277 |
| Sweden | 1,222 | 1,192 |
| Germany | 1,018 | 991 |
| France | 1,005 | 966 |
| Sri Lanka | 924 | 918 |
| Slovenia | 923 | 912 |
| Other | 6,253 | 6,110 |
| Total | 23,152 | 23,245 |

*) Including insourced and temporary employees.

Excellence in core processes

Trelleborg's core processes are continuously developed and improved to become simpler and more cost-efficient and to increase value generation for customers.



Excellence. Trelleborg works proactively and systematically to further optimize the core processes: purchasing, production and sales where the supply chain, Supply Chain Excellence, will from 2018 run as a common thread through all programs.

The long-term aim of the Excellence programs is to boost value generation for Trelleborg's customers through systematic work with tools, training, exchange of experience and other improvement activities at all units.

Purchasing Excellence. Trelleborg works systematically to ensure increased competitiveness in all aspects of its purchasing function. Standardized processes and tools are to be applied – regardless of who

implements a purchase – with a clear set of objectives and deadlines for all potential suppliers.

Manufacturing Excellence. The purpose of this program is to work systematically to improve production in relation to Safety, Quality, Delivery Precision and Efficiency. The focus is on minimizing non-value-generating activities and identifying and correcting deviations through daily efficient control. The vision is Zero accidents, Zero defects, Zero delays and Zero waste. Each site has an individualized improvement program with monthly follow-up.

The work environment and resource efficiency are integrated parts of Manufacturing Excellence. Safety@Work is the

Group's internal program for preventing and reducing the number of occupational accidents, refer to page 54. The Energy Excellence initiative focuses on reducing energy consumption and helps production sites identify opportunities for energy savings. Local action programs are also in place for Energy Excellence specifying at least two savings activities per site, refer to pages 54–55.

Sales Excellence. The program aims to contribute to increased sales and growth via an improved sales process and standardized sales tools. The program also focuses on strategic marketing and positioning, digital market communication and pricing.

Supply Chain Excellence. This program commences in 2018 and is to act as a common thread in all Excellence programs. It will concentrate on purely distribution and logistics issues, the supply chain, as well as matters concerning working capital. The focus will be on the customer, which means ensuring that the right product is at the right place to enable delivery to the customer at the right time. This also yields an optimization of inventories and lower tied-up capital.

TRELLEBORG EXCELLENCE



IT DOESN'T HAVE TO BE DIFFICULT

Good lighting is important in a manufacturing environment. An invitation to tender was conducted in Tivoli, Italy, to find the best solution when all of the bulbs in the facility were to be replaced with LEDs. The facility has as much as 3,400 bulbs so when broken bulbs needed replacing this required substantial resources. It was necessary to shut down certain machines with integrated lighting when a bulb needed replacing, which impacted efficiency.

Switching over to LED bulbs offers several advantages. The main and most important of these was improved lighting throughout the facility. Energy consumption by LED bulbs would also be 70 percent lower per year, equivalent to 1.1 GWh or 390 tons of CO₂ emissions, compared with the existing bulbs. Another objective was to reduce the replacement interval for broken bulbs to once every fifth year. In addition to significant cost savings and a payback period of only 1.6 years, the change resulted in fewer maintenance hours as the LED bulbs have a life span of up to 10 years.



BLUE DIMENSION™ – SOLUTIONS FOR BETTER SUSTAINABILITY

Trelleborg's products and solutions have properties and effects that contribute to a more sustainable society. This is the thought behind Trelleborg's Blue Dimension™ initiative, whose name is derived from the color blue that has come to signify sustainable innovation in a growing number of markets.



In brief, the Blue Dimension™ properties of Trelleborg's products and solutions are designed to promote development that contributes to greater sustainability for customers and for society as a whole. These solutions protect the environment, people, infrastructure and assets. They save energy, cut emissions and protect the soil. They contribute to good health and reduce noise and vibrations, creating a quieter and more comfortable work environment. They extend the service life of infra-

structure projects, such as tunnels and skyscrapers.

This creates a triangle *Trelleborg – Customers – Society* where all parties reap the benefits of solutions that contribute to better sustainability. Some typical sustainability-related properties of various Trelleborg products are described on the next page.

Trelleborg's Blue Dimension™ initiative is also connected to the UN sustainable development goals, which were launched

in 2015, particularly in the areas of energy efficiency, sustainable agriculture, sustainable cities and flood protection. Refer to pages 36–37.

In practice, the initiative and concept mean that the company's business progress is connected to the progress of society since the transition to a sustainable society creates a wealth of business opportunities for an innovative world leader in engineered polymer solutions.

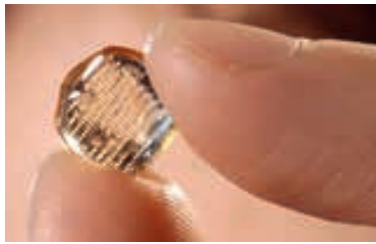
Sustainability-related products and solutions from Trelleborg

EXAMPLES THAT PROTECT THE ENVIRONMENT



- » Agricultural tires designed to protect the soil and save fuel.
- » Energy-efficient solutions, such as seals, tires, transportation automotive components and window/door profiles.

EXAMPLES THAT PROTECT PEOPLE



- » Healthcare and medical products with a direct function or effect on people's health – the image above shows microneedle patches used for administering medicine and vaccines.
- » Antivibration solutions that reduce noise and vibrations and provide extra comfort for passengers using various modes of transportation as well as machine operators in industrial production operations.

EXAMPLES THAT PROTECT INFRASTRUCTURE AND ASSETS



- » Solutions that offer increased safety and extend the service life of bridges, tunnels, buildings, pipe/waste systems and other infrastructure for sustainable cities.
- » Industrial antivibration solutions that offer increased safety and extend the service life of aircraft, trains, vehicles, machinery and other valuable assets.



BLUE DIMENSION™ – COMMUNICATION MATERIALS

Trelleborg communicates the message of its Blue Dimension™ initiative across a range of channels, from social media and websites to advertisements and brochures.



UN SUSTAINABLE DEVELOPMENT GOALS – MORE THAN FUNCTIONALITY AND BUSINESS RESULTS

In addition to being functional and driving business, whenever possible Trelleborg's products and solutions should also contribute to better sustainability. Trelleborg's solutions protect the environment, people, infrastructure and assets.



TRELLEBORG'S CONTRIBUTION TO UN GOAL 7: AFFORDABLE AND CLEAN ENERGY Safe extraction and transport of energy. Components for wind and solar power solutions.

GLORIOUS TIMES FOR SOLAR ENERGY

Trelleborg knows what materials and technology work in solar panels, and the challenges facing installation engineers. Trelleborg's sealing profile solution seal well, look attractive and is easy to install. This guarantees a long service life for both the solar panels and the building under. The sealing profile is also designed to allow a certain margin when mounting the panels, which simplifies work.



TRELLEBORG'S CONTRIBUTION TO UN GOAL 13: CLIMATE ACTION Build resilience against climate hazards and catastrophes.

INNOVATIVE CABLE SOLUTION FOR WIND FARMS

Trelleborg has devised a reliable protection solution for cables and flowlines to offshore wind farms. NjordGuard is a cable protection system for the renewables market, used to protect the cables carrying the electrical power generated by wind farms from the converter platform back to shore. These differ from other cable protection as, for example, they must handle the heat generated by the power cables.



TRELLEBORG'S CONTRIBUTION TO UN GOAL 9: SUSTAINABLE INDUSTRY, INNOVATION AND INFRASTRUCTURE Reliable, sustainable, resilient and high-quality infrastructure. Sustainable industrialization.

THE LINE AT END OF THE ROAD

A thin orange strip inside a solid rubber tire. The aim is to maximize tire life, increase productivity, improve safety and reduce environmental impact caused by, for example, premature tire replacement. Pit Stop Line from Trelleborg has been developed to indicate clearly when a solid tire on a forklift needs to be replaced. The orange line appears on the surface of the tire when its service life is soon over. Personnel then know that the tire has about 80 to 100 hours of service life remaining. This gives plenty of time to plan a tire replacement when it is most convenient for the user.



TRELLEBORG'S CONTRIBUTION TO UN GOAL 2: ZERO HUNGER Sustainable agriculture. Sustainable systems for food production.



TRELLEBORG'S CONTRIBUTION TO UN GOAL 6: CLEAN WATER AND SANITATION Safeguarding and protecting water resources.

TIRE SOLUTION FOR ENHANCED SUSTAINABILITY

Precision farming technologies are gradually transforming the agricultural industry into a high-tech business. The aim is to help farmers to produce more, with less. Trelleborg's tire solutions contribute to better crop yield next season and less energy consumption when ploughing. Good tires can reduce carbon dioxide emissions and the climate impact while improving performance in the form of reduced working time, soil compaction and fuel consumption.

TRENCHLESS TECHNOLOGY

Deteriorating sewer pipes lead to two important environmental issues. The infiltration of ground water into the pipe system, which may mean facilities have insufficient capacity to handle the flow and contaminated wastewater is discharged into waterways. The second issue concerns exfiltration, meaning material that leaks from sewer pipes into the groundwater supply, causing pollution. Trelleborg's trenchless technology offers an environmentally friendly alternative to the complete replacement of pipes. The technology essentially seals pipes from the inside, from manhole to manhole. This method avoids problems that occur in connection with digging up streets, polluting the air and obstructing traffic.



TRELLEBORG'S CONTRIBUTION TO UN GOAL 3: GOOD HEALTH AND WELL-BEING Components in medical equipment. Administration of medicine and vaccines.

MEDICAL NEEDLES

Nicotine patches are a well-known example of a medical plaster. But for larger-molecule substances, such as insulin, this type of patch did not work initially. Researchers have been looking at the use of tiny microneedle patches. The patches, about the size of a fingernail, contain rows of microneedles. When the patches are applied to the skin, the microneedles penetrate the skin's top layer, enough to administer the medication in the patch into a person's system. Trelleborg is working with device developers and manufacturers to supply highly engineered components using Liquid Silicone Rubber (LSR) for drug delivery systems in microneedle patches.



TRELLEBORG'S CONTRIBUTION TO UN GOAL 11: SUSTAINABLE CITIES AND COMMUNITIES Protection against water-related catastrophes. Protect and safeguard the world's cultural and natural heritage. Safe, reliable and sustainable transportation systems.

WATERTIGHT SOLUTIONS PROTECT CITIES AND CULTURAL SITES

Watertight infrastructure plays an important role in protecting cities and cultural sites from flooding in every corner of the world, from Los Angeles to Venice and St. Petersburg. In all of these cases, seals from Trelleborg have played a key role when it comes to using specially designed engineering solutions to prevent water damage to fundamental road infrastructure (Los Angeles) and priceless historical structures (Venice and St. Petersburg).

The UN sustainable development goals (SDG) introduced in 2015 encompass 17 areas that are of key significance to the world. In a number of these areas, Trelleborg has the capacity – through its innovative engineered solutions – to make an important contribution to social development.

DIGITALIZATION – FOCUSING ON MAKING IT EASY FOR CUSTOMERS

Trelleborg focuses on making it easier for customers to do business with the Group. The ambition with digitalization is to use the new technology to simplify both internal processes and external offerings.



New technology enables new ways to generate value for and interact with customers. Trelleborg offers various services supported by digital tools to make life easier and increase value for its customers. This involves smart products with built-in sensors and tracking systems, but also making it easier to do business with Trelleborg via online design programs and digital channels, such as web-based and mobile applications. As a result, Trelleborg's business is increasingly shifting from supplying products to also delivering service and solutions.

The Group is also investing in smart technology in manufacturing and in various smart logistics solutions.

The focus of Trelleborg's work with simplification driven by new technology is on four areas:

- » Smart products
- » Marketing & communication
- » Business model
- » Services & tools

Smart and intelligent products relates to products that provide enhanced functionality and knowledge. For example, this could refer to Trelleborg's variable inflation pres-

sure system consisting of a set of sensors measuring several parameters along with an electronic central processor controlling a compressor and valves to adjust the pressure of an agricultural tire. Read more about this on page 44.

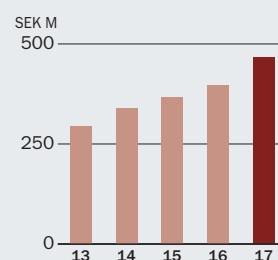
Marketing and communication relates to various ways to interact with different target groups. For example, new ways of adapting to specific target groups and using engaging digital marketing and cutting-edge communication in order to strengthen the brand and reach existing and new customers.

New ways of doing business could entail developing and working with new business models. One example of this is Seals-Shop.com, an e-commerce platform focusing primarily on hydraulic seals for the Maintenance, Repair and Operations (MRO) market and smaller Original Equipment Manufacturer (OEM) customers in Europe and that will now develop both geographically and in terms of its product range.

Various services and smart tools can interact with customers and manage products. This could include advanced logistics solutions with kitting or solutions that allow customers to design their own products and solutions using, for example, apps.

Research and development. The majority of Trelleborg's innovation work consists of applied development that takes place in close collaboration with customers. Projects are also conducted focusing on fundamental physical and chemical material sciences in respect of polymers and other materials, as well as in relation to various applications and the actual design of products and solutions.

Research and development*



* Expensed, excluding amortization.

In 2017, Trelleborg's research and development expenditure amounted to SEK 467 M (396), corresponding to about 1.5 percent (1.5) of sales.



Sensors on subsea buoys employed in offshore oil & gas can now be used on oil platforms to monitor waves and water movements. These advanced sensors provide conditions for the more efficient operation of drill rigs.



An aircraft has some 6,000 sensors. Trelleborg is working to develop algorithms that can translate the sensor signals into how the seals are operating in practice. This project is ongoing, but has already indicated that it is possible to forecast wear in installed hydraulic seals.



One of the latest apps, **Trelleborg MountFinder Pro**, can be used together with a mobile phone's built-in accelerometer, measurement sensor, to directly measure the level of vibrations in different machines and easily identify which bracket is best suited to the machine to minimize noise and damp vibrations.

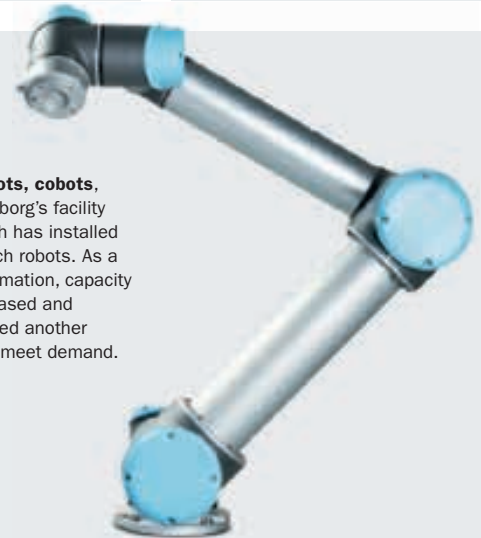


Trelleborg offers some thirty apps in various fields and with various objectives. The Group has its own app developers inhouse. **Trelleborg Unit and Hardness Converter** has reached most users, with more than 1,370,000 downloads.

Trelleborg provides smart after-market tire services using the **Interfit concept**. Its clients are forklift suppliers and end users with significant fleets of their own that they manage. Interfit does everything from answering customer-service calls to providing cost estimates and sending out service technicians. The innovative new business concept known as I-Rent also enables tire lease agreements.



Cooperating robots, cobots, are used at Trelleborg's facility in Denmark, which has installed more than 50 such robots. As a result of the automation, capacity at the plant increased and Trelleborg employed another 50 employees to meet demand.



Strategic marketing is used to strengthen the brand and identify potential customers. To effectively process, track and measure potential business, there is particular focus on the use of digital marketing channels, the web and social media and on marketing automation.



ConnectTire is a sensor-based smart tire that monitors two basic variables; tire pressure and temperature. The integrated GPS functionality also registers the tractor's position, which helps to keep lone workers safe at the same time as reducing the risk of theft. It can also be used to monitor the number of machines driving over each square meter of land, which helps to reduce soil compaction.



DRIVERS FOR MARKET PRESENCE

Trelleborg operates in seven chosen market segments where the Group has the best conditions for achieving favorable profitability and leading positions. The global trends are encouraging for Trelleborg's products and solutions.

In a constantly changing world, there are favorable prospects for Trelleborg to continue to hold leading positions in selected segments. Demand exists for advanced, engineered and integrated solutions and the current development of technology benefits organizations such as

Trelleborg that encourage rapid, proactive leadership under responsibility. Significant potential for business success is mainly found in the high-growth economies of Asia, a region in focus for Trelleborg.

Trelleborg evaluates aspects and relevant outcomes of global megatrends, such

as the changed dynamic of the global economy, the interdependence between countries, cities and markets, the increasing scarcity of natural resources and demographic changes. These and other factors influence how Trelleborg positions itself in the market.

A Geo-economic changes and shifts in power

The growth that is taking place and is expected to continue in Asia demonstrates geo-economic and geopolitical shifts in power eastwards. China is becoming the largest global economy at the same time as traditional power structures in the West are changing. Global economic growth could slow because of the political and social changes facing several influential countries and geographical areas.

The local presence and global reach of Trelleborg provides strength. Wherever Trelleborg conducts business, its employees act as a local partner and leverage the Group's global strength and capabilities. The Group has local teams that operate in the local markets. The development of business in Asia and China is prioritized throughout the Group.

B Accelerated technological development

New technological solutions that are simpler and often more cost-efficient than existing ones, known as disruptive technology, are being developed rapidly and continuously. The new technologies produce new cooperation models between companies and customers where customers are adopting a new and more active roll in the total value generation.

Trelleborg is investing in making life easier for and interacting with customers by taking the lead in developing smart products, efficient business models, simple digital tools and communication solutions. The Group is also investing in smart technology in manufacturing and in various smart logistics solutions. Read more about Trelleborg in the digital transformation on pages 38–39.

C Interconnected markets and urbanization

Population movements from rural areas to cities is continuing at the same time as globalization is moving markets and people closer together, resulting in rising global trade, transportation and flows of capital. Urbanization entails, among other effects, a growing demand for more efficient cities and also a sustainable countryside that can produce more for more people.

Urbanization makes substantial demands on infrastructure investments. Whether the structures are above or below ground, Trelleborg's experience of global infrastructure and civil engineering projects provides support for customers when they are specifying requirements for products that often have to last a lifetime or longer. Trelleborg is also developing innovative engineered solutions for sustainable agriculture that also facilitate a faster transition to automated mechanical and industrial solutions. Trelleborg holds a strong position in the aerospace industry, which requires global capacity in local markets. In recent years, Trelleborg has strengthened its position and capabilities in this area through acquisitions.

D Resource efficiency for sustainability

Global population growth and economic growth in certain geographies in the form of an expanding middle class is making demands on a more efficient and sustainable society. Negative climate change and scarce natural resources, such as water, oil, grain and minerals, are major challenges for all stakeholders to solve. Local environmental regulations are being implemented to promote sustainable energy and lower emissions.

Trelleborg's products and solutions have distinct properties and effects that contribute to a more sustainable society. These are known under the name Blue Dimension™ and more information is available on pages 34–35. The Group's CR work, which is described on pages 47–63, reports how Trelleborg is working to ensure safe and efficient use of resources. The focus of Trelleborg's Excellence, which is described on pages 33 and 54–57, includes Trelleborg's energy consumption and also direct emissions caused by energy produced internally and indirect emissions from purchased energy.

A multi-dimensional perspective. Trelleborg has chosen to concentrate on high-growth segments, where the Group has the best conditions for achieving favorable profitability and leading positions. In these segments, Trelleborg is continuously striving for leading positions in global, regional and local markets. The strategy is to be among the three top players in terms of market share.

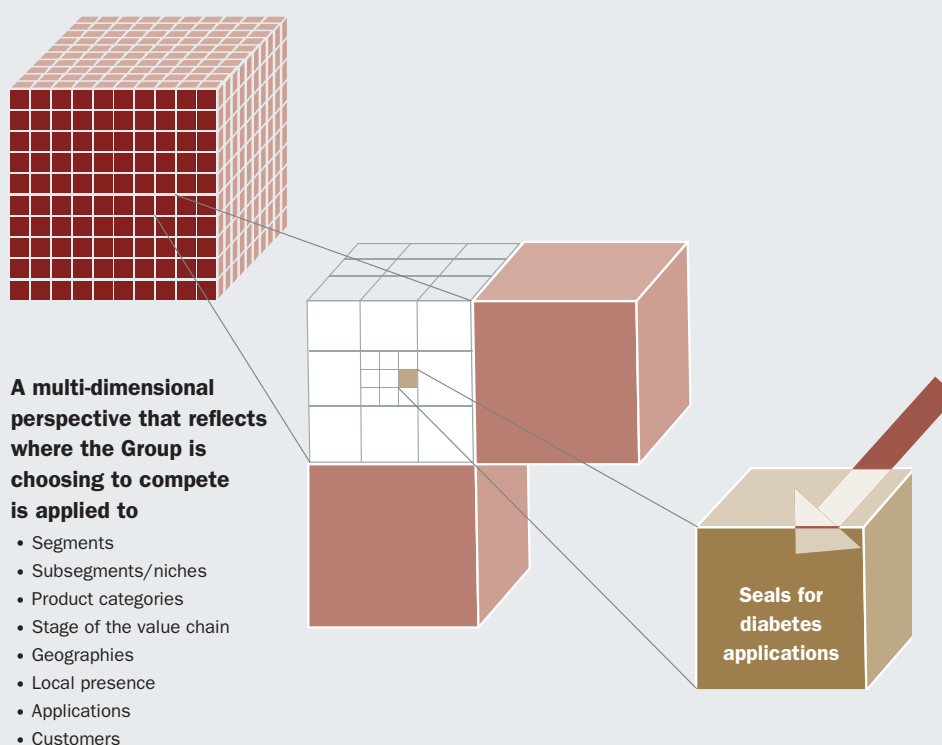
The basis for Trelleborg's positioning is partly innovative and high-tech products that provide value-added solutions for customers, but also Trelleborg's level of service and customer knowledge that provides a sense of security in the choice of supplier.

Several dimensions must be taken into consideration when prioritizing future growth investments. These may include segments,

niches and product categories combined with geographies, regional and local presence, customers and applications that determine the investments, from the perspective of mature and growing markets.

Critical functions. Trelleborg's products are of high quality and often have a critical function in the customer's solution, while representing a minor portion of the total manufacturing cost. The tendency to replace them with a product of inferior quality is thus minimal. Although seals for an excavator can be purchased at a lower cost, the risk of a costly failure due to poorer quality is not worth the effort, since the seals represent such a small proportion of the total cost.

Few comparable competitors. The markets largely comprises a very significant number of smaller companies that are regional specialists in one or more niche markets in various market segments or product categories. Trelleborg's broad-based operation, encompassing products and solutions for applications ranging from outer space to the ocean floor, means that the Group has no single matching competitor. There are, however, global players that compete in certain segments and niches. Such major competitors include Bridgestone, Continental and Freudenberg, as well as Hutchinson, NOK, Parker Hannifin and Sumitomo Riko.



The World Health Organization (WHO) and the International Diabetes Federation (IDF) predict that the number of diabetes cases in Asia will rise dramatically until 2030.

Trelleborg has prioritized investments in this part of the pharmaceutical industry, and develops and produces seals for infusion sets, cartridges for insulin pumps, injection port septums, vials, injection ports for syringes and insulin pens.

Market segments in which Trelleborg operates

| Business area/ market segment | General industry | Oil & gas | Transportation equipment | Agriculture | Infrastructure construction | Aerospace | Capital-intensive industry | Light vehicles |
|------------------------------------|---------------------|-----------|-----------------------------|-------------|--------------------------------|-----------|-------------------------------|-------------------|
| Trelleborg Coated Systems | 81% | | 1% | | | 16% | 17% | 2% |
| Trelleborg Industrial Solutions | 54% | 2% | 20% | | 14% | | 36% | 10% |
| Trelleborg Offshore & Construction | | 45% | | | 55% | | 100% | |
| Trelleborg Sealing Solutions | 43% | 2% | 12% | 4% | | 14% | 32% | 25% |
| Trelleborg Wheel Systems | | | 41% | 59% | | | 100% | |
| Rubena Savatech | 79% | | 7% | | | | 7% | 14% |
| Total Group | 34% | 5% | 19% | 18% | 8% | 5% | 55% | 11% |

Net sales per market segment and business area based on 2017 annual accounts.

Customized solutions to general industry



34%

OF TRELLEBORG'S SALES

General industry. Trelleborg's offering includes antivibration systems, polymer-coated fabrics, hoses, expansion joints, seals and bearings.

General industry includes operations within manufacturing, machine tools, processing equipment, healthcare & medical and graphic production. These operations are influenced by both local demand and worldwide growth, where the IMF forecasts annual GDP growth of about 3.7 percent for the years ahead.

Requirements for sustainable solutions, advanced automation and compliance with stringent standards – are just a few of the challenges facing, for example, manufacturers in the food industry. By focusing on these issues, Trelleborg contributes toward flexible production by offering innovative products and services – all the way from initial processing to packaging. In the industrial sector, Trelleborg's solutions must withstand oils, acids, sugars, salts and other media used in manufacturing. At the same time as hygiene and cleanliness are imperative.

Seals are used in many areas of food production. O-Rings, rotary and hydraulic seals manufactured in specialty materials are compatible with harsh environments processes and cleaning regimes, extending seal life to minimize maintenance downtime. The area also includes rubber elements that minimize noise and damp vibrations in machinery as well as expansion joints that

absorb pressure surges, movements and vibrations in pipe systems. In addition, there are hoses that are good resistance to abrasion, piercing, impact, flexing and microbiological attacks. Printing blankets are used in image reproduction or embossing packaging.

In a completely different field of general industry, the healthcare & medical, Trelleborg is active in ensuring that equipment is extremely clean, accurate and durable, with optimized performance and service life, and that it fulfils stringent standards and regulations.

Once again, different types of seals of used here. Using specially molded components and O-Rings, it is possible to achieve close tolerances and a high level of precision for specific applications, such as in dialysis machines. Respirator equipment is another example that uses Trelleborg's applications and where specially constructed silicon components and hoses/tubing reduce assembly costs and create a product with a high hygiene factor. Due to its unique biocompatibility and physical durability, the silicon hose/tube plays a key role in many medical applications. Engineered coated fabrics for mattresses used in intensive care is another Trelleborg product where comfort and cleanliness are important.





5%

OF TRELLEBORG'S SALES

Oil & gas. Trelleborg's products and solutions are used from the platform to the ocean floor, both in oil & gas and in renewable energy. These products include specialty seals, buoyancy modules, thermal insulation, cable and flowline protection, fire protection and other engineered solutions.

Complex requirements on oil & gas in demanding environments



The global market for Liquid Natural Gas (LNG) is growing. Not least because of the transition from large land-based terminals to a more flexible and scalable model for transferring LNG. This trend will expand the market as demand can now be met from regions with poor energy infrastructure. There are many locations around the world where traditional ports and shipyards are not a reasonable alternative.

Trelleborg is an innovator in this field and known for its rigorous demands on products and documentation.

Transportation of gas in liquid form is a challenge as it must take place at a temperature of -163°C . This requires special hoses such as floating hoses. By using Trelleborg's floating cryogenic hoses, Cryoline, vessels can moor up to 500 meters from a storage unit on land. Aside from the connection between vessel and land, the hose also enables transfer between vessels in deeper water and is more flexible than a fixed loading and unloading arm.

Urbanisation leads to rising transport needs



As cities grow, the need increases to invest in public transport solutions that can reduce the impact of individual transportation activities on the environment. According to the UN, about 54.5 percent of the world's population was living in urban areas in 2016. By 2030, cities are expected to house 60 percent of the global population and one in three will be living in a city with at least 500,000 inhabitants. Demand for transportation is

strongly linked to positive economic activity in a region or a country.

Trelleborg supplies train manufacturers with high-performance suspension systems, as well as DragonCoat – Trelleborg's patented fire-retardant protective coating for rubber products. Great importance is attached to finding products that reduce the risk of fire, as passenger safety is paramount. Another key issue for train manufacturers and operators is passenger comfort. Trelleborg's Metacone primary spring is a compact unit with a rubber profile that provides optimal performance in connection with shearing and pressure. This solution means long service life, minimal maintenance needs, a high level of passenger comfort and exceptional reliability.



19%

OF TRELLEBORG'S SALES

Transportation equipment.

Trelleborg offers a number of antivibration, acoustic and sealing solutions for rail vehicles, as well as tires and complete wheels for various types of material handling vehicles and construction vehicles.



18%

OF TRELLEBORG'S SALES

Agriculture. Trelleborg offers a range of applications for agricultural machinery, such as tires and complete wheels, seals, antivibration systems and engineered molded components.

Sustainable agriculture that safeguards food resources

As the world population grows, the earth's limited natural resources must be sufficient for more people. In five years, food is needed to feed no fewer than eight billion people. Larger harvests per cultivated area and more sustainable agriculture are needed to meet both the population and environmental challenge. The answer is greater industrialization, and in certain areas, a much faster transition to mechanical solutions.

Precision farming is today used on more than 5 percent of the world's cultivated area, and this is forecast to increase to 20 percent within the next decade. Driverless machines and robots will become increasingly common, to enable agriculture to produce more with fewer resources.

One contribution from Trelleborg is the Variable Inflation Pressure (VIP) system, a smart tire construction that automatically adapts tire pressure to load and ground conditions. This has two effects in economic and environmental terms: better crop yield next season and lower power requirements when ploughing. Tests show up to 5 percent higher yield than with standard wheels and Trelleborg is therefore investing in developing this concept further in parallel with other smart systems.



Investments in infrastructure construction enable economic development

With growing world trade, ports and pilots are facing a number of substantial challenges. To improve profitability, cargo vessels are becoming larger. It is difficult in many locations to expand ports at a similar rate and this results in serious safety problems and a shortage of berth space.

This bottleneck effect is aggravated by the fact that it is often not possible for ship officers to accurately forecast arrival times. Approximately 45 percent of all container vessels are more than eight hours late. A enormous potential exists to improve efficiency.

Trelleborg is helping to build the smart ports of the future. The module-based SafePilot system can be expanded to a full-scale pilot and port management system with full port and pilot functionality, integrated databases and schedules, complete transparency, efficient information exchange and access to relevant information in real time.

Because of the system, Trelleborg stands for safe and efficient pilot and port management.



8%

OF TRELLEBORG'S SALES

Infrastructure construction. Trelleborg's offering extends from seals and antivibration solutions in construction vehicles and equipment for solutions for ports, marine equipment and marine technology to seals and bearings used in construction and civil engineering projects.



Rigorous demands for proven technology in aerospace

According to a 2017 report from Airbus, transport by air has increased by a full 60 percent over the past decade and demand exists for almost 35,000 new aircraft until 2036, driven primarily by organic growth and demand in Asia-Pacific region.

Almost no aircraft in the world take off without advanced solutions from Trelleborg on board. Trelleborg was pioneering in its work with polytetrafluoroethylene (PTFE) as a sealing material and its Turcon compounds and proprietary seal design have become the industry standard.

The Turcon material, with its low friction properties, wide operating temperature range and resistance to lubricants, is an ideal solution for hydraulic systems. Hydraulic systems are used on all parts of the aircraft, for example, in controls, brakes, suspension and landing gear. All flight control surfaces on the wings and tail of larger aircraft are also maneuvered hydraulically. These systems require countless seals, and in most cases the requirement is for combinations of different types of seals. Their job is partly to keep the hydraulic media on the outside and lubricants on the inside, and partly to generate a back-pumping effect to increase the degree of efficiency.



5%

OF TRELLEBORG'S SALES

Aerospace. Trelleborg's offering extends from seals on an aircraft to engineered coated fabrics for airships and thermal insulation in space rockets.

Environmental dimension increasingly important for automotive industry

The stop-start system is increasingly widespread in the automotive industry. It improves fuel economy and reduces environmental impact at the same time. The systems use a type of lead-acid battery known as Absorbent Glass Mat (AGM). These batteries have a glass mat that absorbs and retains the acid, at the same time as the positive and negative plates are separated.

The ability to discharge pressure from the minor gas formation that is built up during charging is an important function in AGM batteries. A small

but ingenious valve seal from Trelleborg helps to achieve this.

Ventseal Light is a patented construction that combines a seal and pressure-controlled valve. The valve reacts to low pressure and when the pressure is released, the valve automatically closes to prevent leakage from the battery. Even if this is a minor component compared with the size of the battery, this critical detail must provide a reliable seal throughout the battery's service life and also work in extreme temperatures.




11%

OF TRELLEBORG'S SALES

Light vehicles. Trelleborg offers seals for fuel systems and exhaust systems, composite technology designed for damping and sealing as well as polymer solutions for driveshafts, for example, and coated fabrics for brake shims.





• **The products and solutions** that Trelleborg supply to the healthcare and medical technology industry are critical components that ensure that equipment is extremely clean, accurate and durable, with optimized performance and service life, and that they fulfil stringent standards and regulations.

FURTHER INFORMATION ON THE TRELLEBORG GROUP'S SUSTAINABILITY GOALS AND OUTCOMES CAN BE FOUND ON PAGES 10–11.

READ MORE ABOUT TRELLEBORG'S CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS ON PAGES 36–37.

WE CONSTANTLY RAISE THE BAR FOR OURSELVES

Aiming to become world class in sustainability entails a number of things for us. It includes understanding the company's role in society and acting responsibly in the areas where we directly or indirectly can make a difference. Basically, it involves being a responsible and respected member of society, and that we create long-term value through our sustainable products and solutions, both for our shareholders and for society. In all these respects, we have taken important steps forward in recent years. At the same time we stand by the fundamental commitments documented in our Code of Conduct and in the UN Global Compact, whose principles we also encourage our suppliers to follow.

The Blue Dimension™ initiative is our way of showing how we can use innovative solutions to help our customers protect people, the environment, infrastructure and assets, through such properties as the energy efficiency of solutions, their ability to dampen noise and vibrations and their material durability. In short, innovation for current and future societal challenges. On pages 36–37, you can read more about how our solutions can contribute in various ways to the UN sustainable development goals, which concern the whole of society.

Continuing work with acquisitions. 2017 was otherwise characterized by what is our everyday industrial life. Naturally, the major acquisition in 2016 of CGS Holding, with brands and companies including Mitas, Rubena and Savatech, has involved plenty of work that continued during the year on consolidation and organization, not least in relation to practical matters, such as resource-saving efficiency enhancements and health and safety issues.

We are steadily and purposefully moving toward the goal we call Excellence in all of our core processes. This means we have a world-class target where the bar is being continuously raised, and where we gradually are improving our performance – and where the world around us and the competition also demands that we constantly advance our positions.

Trelleborg is at the upper level of companies on Nasdaq's Large Cap list in Sweden in terms of how we implement and communicate our sustainability work, according to a survey by the Stockholm School of Economics in 2017. There is scope for us to even increase our communication, according to the same survey. We look upon this 2017 Annual Report and our sustainability pages on www.trelleborg.com as part of this communication work, which is also an area where we are constantly raising the bar for ourselves.



Peter Nilsson, President and CEO

TRELLEBORG AND THE GLOBAL COMPACT

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



GRI G4 GUIDELINES AND EXTERNAL AUDITORS

Trelleborg's 2017 CR Report is based on GRI G4, the Global Reporting Initiative's Sustainability Reporting Guidelines, under the Core option.

Deloitte has performed a limited assurance of this option, with a focus on the most significant CR issues. Refer to Deloitte's Assurance Report on page 134.

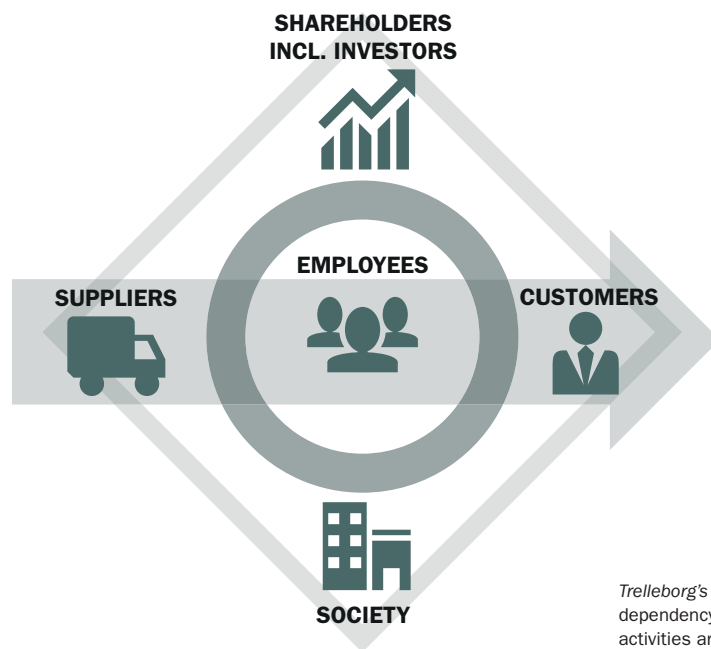
The 2017 CR report is adapted to regulations for sustainability reporting in compliance with the Annual Accounts Act.

See the GRI Content Index on page 63. For more information and a detailed GRI Content Index, refer to the full 2017 CR Report, which can be downloaded from www.trelleborg.com, under Corporate Responsibility.

TRELLEBORG FOCUSES ON MATERIAL ASPECTS

Key internal and external stakeholder groups are characterized by mutual dependence, proximity and direct influence on the company's operations. Trelleborg has combined the areas in Corporate Responsibility/Sustainability that stakeholder groups consider most material into four focus areas: Regulatory Compliance, Resources, Diversity and Social Engagement.

TRELLEBORG'S KEY STAKEHOLDERS



Trelleborg's key stakeholders. Groups where mutual dependency and proximity to the company and its activities are distinct factors.

Key stakeholders. The determination of key stakeholders for Trelleborg is primarily based on *mutual dependency and the proximity* between these groups and the company.

Such key stakeholder groups with mutual and close relationships with the company and its activities can be mainly found across the value chain, which consists of *Suppliers, Employees and Customers*. Another key group with a strong mutual relationship to the company is *Shareholders, including Investors*, meaning potential shareholders.

A further decisive dimension that characterizes key stakeholders is the *direct influence* the business and its activities have on their stakeholder groups.

Stakeholders in the group *Society* comprise to a certain degree of citizens with a direct connection to Trelleborg's operations, such as those living close to Trelleborg's facilities. Another growing group in the *Society* stakeholder group are customers that, via Trelleborg's products and solutions, have a positive effect on the overall sustainability of society. As part of Trelleborg's focus on solutions for sustainability

(under the umbrella term Blue Dimension™, refer to pages 34–35) this contribution to society in the business will be further accentuated in the future.

In addition, society is represented by the media, researchers and students, for example, whose interaction with the company takes the form of personal meetings with company representatives as well as other forms of dialogue and communication, such as websites, social media or CR and Annual Reports.

Materiality analysis. Several rounds of materiality analyses have been conducted since 2007 using surveys and interviews with internal and external stakeholders. The purpose of these analyses is to ensure that the company's Corporate Responsibility (CR) efforts take into consideration the significance of Trelleborg's operations for various stakeholder groups and that its CR communication actually meets their expectations.

The predominant aspects in the outcome of these analyses have consistently been regulatory expectations with respect to *Compliance with laws and human*

rights, Measures against corruption and bribery and Measures against anti-competitive behavior as well as a number of key environmental aspects for the industry such as *Energy consumption, Emissions, Waste and Handling hazardous chemicals*.

For some stakeholder groups, other aspects such as *Diversity, Community relations, Open and honest communication, Corporate governance and transparency and Environmental performance of products* have also emerged as highly significant.

Using this analysis, Trelleborg has combined its most material sustainability aspects into four focus areas: Regulatory Compliance, Resources, Diversity and Community Involvement. For a more detailed overview of the focus areas, refer to the Index on page 63.

2017 review. Trelleborg's materiality analysis for 2017 was again reviewed, based on the company's CR Report for 2016. In cooperation with the International Institute for Industrial Environmental Economics at Lund University, exercises were conducted in October 2017 with about 40 students from the two Master's programs offered

MATERIALITY ANALYSIS



Materiality analysis. The most material sustainability aspects for both external and internal stakeholders are shown in the upper right quadrant.

by the institution. The goal of the exercises was to evaluate the materiality analysis conducted from the perspective of key stakeholder groups and to produce views and criticism of the CR Report. One whole day was devoted to presenting and commenting on the results from a stakeholder perspective.

If you link together this type of review from external stakeholders with the internal evaluation during the year, *Trelleborg's products and solutions for sustainability* continue to be viewed as an important focus area for the future with a distinct link to a number of sustainability goals identified by the UN. For more information about Blue Dimension™ and the sustainability goals, refer to pages 34–37.

A selection of the other recurring conclusions for each focus area is presented here. These conclusions were addressed during the preparation of the 2017 CR Report and the corresponding online communication at www.trelleborg.com.

Proposed areas for improvement:

Regulatory compliance

- » Further clarification is requested with respect to approach and risks within the area of Compliance. Example: Presence and involvement in conflict zones.
- » What is the difference between a standard supplier review and a supplier audit?

Trelleborg's comments: The area of Compliance remains a priority. During the year, the Code of Conduct was rolled out and quick guides for central policies were produced in several languages (page 52), work that will continue in 2018, when a new version of the Code of Conduct is to be drawn up (refer to page 51). The presence in conflict zones is particularly addressed in the review of relevant Group policy on trade restrictions. It has been clarified that a supplier audit involves an on-site visit at the supplier.

Resources

- » How can you be sure that the production of raw materials, such as natural rubber, is not resulting in deforestation?
- » What is Trelleborg's stance on the issue of microplastics and their spread in the ecosystem?

Trelleborg's comments: Trelleborg is monitoring, in part through its involvement in international organizations, the development of sustainable procedures for cultivating and producing natural rubber. The issue of microplastics is relatively new for us, and is being investigated, primarily linked to products for surface and underwater use.

Social engagement

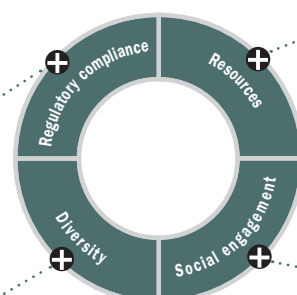
- » Is it possible to describe the benefits of Trelleborg's community involvement in more detail?

Trelleborg's comments: During the year, an evaluation was conducted of our oldest

TRELLEBORG'S FOCUS AREAS AND MATERIAL ASPECTS

Correct is correct

- Anticorruption/Code of Conduct
- Social and Environmental Compliance
- Human rights
- Child and forced labor
- Freedom of association
- Supply chain responsibility



We are raising the bar

- Health and safety
- Energy
- Climate impact
- Water
- Emissions to air (solvents)
- Waste
- Chemicals

Your difference makes a difference

- Age, ethnicity and gender

We contribute to a better society

- Community development

Star for Life project in Sri Lanka, that is summarized on page 60.

Products

» What Life Cycle Assessment procedures are in place? Is there a shared model which defines the stages of the cycle?

Trelleborg's comments: Via Blue Dimension™ solutions for sustainability, the procedures for a lifecycle approach and analysis will be further developed in the years ahead. One goal is to create a shared language in the future model. The image at the bottom of the page (Trelleborg and the value chain) shows how various material sustainability aspects are distributed, both along the value change – from Suppliers upstream to Society downstream – and across various focus areas.



Trelleborg used Master's students from the International Institute for Industrial Environmental Economics in Lund to evaluate the materiality analysis and content of the CR report. The image shows international student representatives from the review team for 2017. The MESPOM and EMP Master's programs educate future policy makers in the field of environmental sustainability.

EXAMPLES OF STAKEHOLDER DIALOGUE IN 2017:

January 12-18

Follow-up and visit to Trelleborg's community project in Sri Lanka: The Star for Life schools Kelani College and Bellana College together with the Antonio Bianchi's House pre-school.

March 27

Trelleborg contributes to an article in the Chamber of Commerce and Industry of Southern Sweden's publication Klimatutmaningen 2.0.

April 27

Questions received for the Annual General Meeting were answered concerning the link between sustainability goals and variable remuneration of employees.

May 18-19

Participation in the International Institute for Industrial Environmental Economics' sustainability conference, Lund.

May 22

Participation and presentation at Trelleborg Supplier Days for Group suppliers, Trelleborg.

July 5

Participation in panel during Almedalen week in Visby: Klimatutmaningen 2.0.

September 1

Dialogue with external analysts about Trelleborg's principles for presence in conflict zones.

September 6

Participation in a panel conference on guidelines for sustainability reporting, in Malmö.

September 27 The "Walking the Talk?" report by MISUM at the Stockholm School of Economics listed Large Cap companies in Sweden with regard to their sustainability communication and implementation. In the study's "walk" dimension (implementation), Trelleborg received substantially higher points than the average.

October 5

Participation in reference group for the Sustainable Management Master's program at the School of Economics' day, in Örebro.

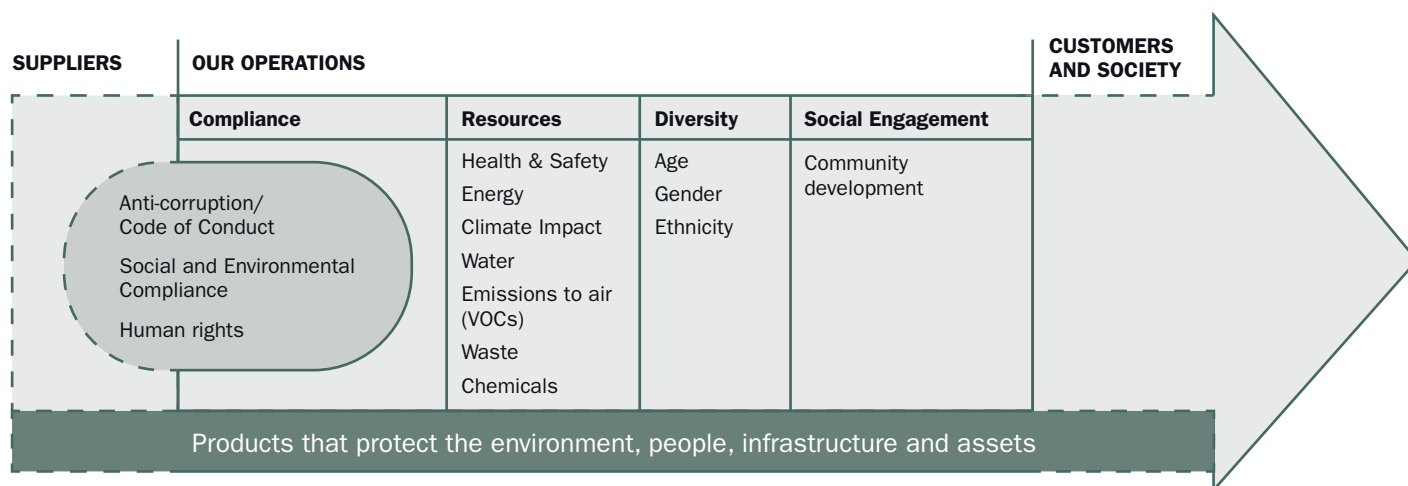
October 11

Contributed to report from 2050 Consulting: "Views on sustainability and profitability from businesses in Skåne" and in a panel and breakfast meeting.

October 23-27

Stakeholder exercise with Master's students at the International Institute for Industrial Environmental Economics at Lund University, see above and pages 48-49.

TRELLEBORG AND THE VALUE CHAIN



SOLUTIONS FOR BETTER SUSTAINABILITY

Trelleborg and the value chain. While Trelleborg's focus areas when it comes to CR have historically been based on the Group's operations, they have been expanded over time to include other activities both upstream and downstream in the value chain. In terms of materiality, an additional aspect that extends across the value chain should be highlighted: Products that protect the environment, people, infrastructure and assets, and that thereby contribute to the sustainability of customers and society.

COMPLIANCE WITH LAWS AND CODES

Trelleborg's Code of Conduct covers laws and rules, human rights, environment, OHS and ethics and applies to all employees, without exception. Together with the whistleblower policy, it constitutes an important linchpin for regulatory compliance in operations.

Anti-corruption and competition law.

Trelleborg has a zero tolerance policy toward all forms of corruption, including bribery and extortion, blackmailing, nepotism, racketeering and embezzlement. The contents of Trelleborg's Group-wide Compliance Program have been continuously developed and, in addition to competition law, includes such issues as anti-corruption, export control, employee relations as well as matters relating to professional conduct and business ethics.

Recently introduced elements are aimed at achieving excellence in the management of contracts, and in issues related to global distributors and agents. The program also provides information and guidance on the relevant legislation, such as the U.K. anti-corruption law.

During 2017, new training material in the e-learning format was created in the field of competition law, which allows the rapid global roll out to target groups concerned, starting in 2018.

The Group's Compliance Program supports senior and middle management, as well as employees in the field and on the shop floor. They are supported by Compliance Officers in each company, who undergo special training in which they are encouraged as a group to share best practice in compliance issues to help others respond to the situations that may arise in their daily work.

In order to show how compliance with laws and regulations is an ongoing and long-term commitment for Trelleborg, a Compliance Task Force with senior representatives from staff functions was established in 2015. The Task Force has been

assigned to lead and coordinate initiatives across the broader area of regulatory compliance.

During 2017, the Compliance Task Force held 4 meetings that addressed, among other things, an update to training courses for the Code of Conduct and Group policies (see box below and page 52), trade restrictions, compliance and effects of new legislation such as new rules on data protection, a review of legal entities and the integration of acquired businesses.

All employees are required to comply with applicable Group policies and internal governance documents, which have been strengthened at senior management levels of the company with acceptance documents that must be signed annually. The Group's Whistleblower Policy also entitles all employees to report any suspected legal or regulatory violations without repercussion. Refer to the table on page 53 for matters reported via the whistleblower system. This system was supplemented with employee surveys carried out at regular intervals that receive a high response rate (2017: 84%). In addition to drawing attention to areas for local improvement projects, these provide a clear indication of any problems with management or similar shortcomings.

In 2017, Trelleborg's Compliance Task Force continued its initiated review of Group policies to ensure that the messages they contain are understood by all individuals representing Trelleborg.

Specific legislation must be followed in certain countries, such as the U.S. (the Dodd-Frank Wall Street Reform and Consumer Protection Act related to conflict minerals, and Technology Transfer Control

legislation) and the U.K. (Bribery Act, Modern Slavery Act – which is designed to prevent forced labor and sex trafficking, see below).

Compliance with laws and permits. Being a listed company with global operations, Trelleborg is subject to a range of laws, regulations and directives. Significant breaches of laws and permits leading to legal consequences or fines as well as breaches of environmental and OHS-related laws are reported on page 53.

The area of human rights comprises fundamental rights defined by conventions and declarations, including those pertaining to child and forced labor, freedom of association and collective bargaining, discrimination/diversity and gender equality. All of these areas are addressed in Trelleborg's Code of Conduct, see below.

Within the framework of Trelleborg's ERM processes for internal risk identification and assessment, none of the Group's units has assessed the risk of human rights violations to be significant internally.

Child labor. A number of potential risks in the supply chain have been evaluated. Among those leading to measures was the risk of child labor at rubber plantation level, see the image illustrating the stages of the processing chain for natural rubber on page 52. For many years, Trelleborg cooperated with Save the Children in joint community initiatives, which have also strengthened know-how in the field of child labor.

Forced labor includes various phenomena, from slavery to forced relocation and forced exploitation of human

THE CODE OF CONDUCT IS THE BASIS FOR REGULATORY COMPLIANCE AND CR

Trelleborg's Code of Conduct in the areas of environment, OHS and ethics forms a basis for all operations in the Group, and applies to all employees, without exception. Starting in the first quarter 2017, an updated version of the company's training material pertaining to the Code of Conduct was rolled out to the entire Group – more than 80 percent of the employees completed this training course during the year – which further helped to raise awareness of applicable legislation, and of internal policies and rules. E-learning and other training material is available in 11 languages. A comprehensive review of the Code of Conduct is ongoing, with launch planned for 2018–2019.

The Code of Conduct is based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines and the UN Global Compact. It is available externally from www.trelleborg.com. Trelleborg's Whistleblower Policy and system means each employee is given the right and opportunity, by telephone or online, to report suspicions of legal or regulatory violations in their own language, without repercussions.



beings (trafficking). The risk of this is also judged to exist primarily in the supply chain.

During 2017, Trelleborg's corporate website published a statement regarding the management of issues concerning forced labor and trafficking, mainly in accordance with the UK's Modern Slavery Act and Californian law.

Freedom of association. Trelleborg's policy is to recognize local union clubs, and the right to collective agreements. No units are assessed to be at serious risk of violation in this area. In China, however, certain restrictions related to freedom of association apply. The percentage of employees with union representation is shown in the table on page 53.

Discrimination. No discrimination of employees is permitted on the grounds of gender, religion, age, disability, sexual orientation, nationality, political views or social or ethnic origin, which is presented clearly in the Code of Conduct.

During the year, special training initiatives were carried out to strengthen preventive measures against harassment, including in the U.S and India.

Read more about outcomes for the year in relation to discrimination on page 53 and about Trelleborg's diversity activities on pages 58–59.

The environmental area comprises regulatory compliance with local environmental laws and permits, as well as certified environmental management systems.

Environmental management systems. A cornerstone of the Group's environmental strategy is that major production units must have an ISO 14001-certified environmental management system. Facilities that are incorporated following an acquisition are allowed a certain period of time to achieve this certification. The percentage of certified units is presented on page 53.

Environment laws and permits. Fines or sanctions for breaches of environment or OHS-related rules is shown in the table on page 53. This also applies to unplanned emissions.

Contaminated soil. Historically, the handling of oil and solvents has given rise to soil and groundwater contamination, which is further described in the table on page 53.

Environmental studies. 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. The number of studies conducted in 2017 is presented in the table on page 53.

Suppliers. Suppliers – the total number of which is in the order of 23,000 – are concentrated in Europe, North America and Asia. Trelleborg's main raw materials are synthetic and natural rubber, respectively (see below and on page 54), metal components and various additives.

While purchasing is based on a joint process, it is distinctly decentralized to the operational units, in line with a far-reaching responsibility for performance. The exception to this is when purchases at the business area or Group level yield cost benefits, particularly in respect of rubber material and material and services that are not directly included in products.

Supplier assessment. Supplier assessments have continued in 2017, primarily via Group-wide questionnaires, containing questions related to human rights, and also OHS, environmental management and social responsibility. Unsatisfactory responses are investigated. Refer to the table on page 53 for the year's outcome.

Supplier audits. Work auditing "at-risk suppliers" through site visits continued in

2017, mainly in China, but also in India and Turkey. The focus has been on textile suppliers and chemicals suppliers as well as natural rubber suppliers as described below. The basis for selection is both a geographic and material risk assessment.

Underperforming suppliers are given a deadline of 1 to 3 months for corrective measures following an audit. The time limit varies depending on the severity of the breaches. Refer to the table on page 53 for the outcome for 2017.

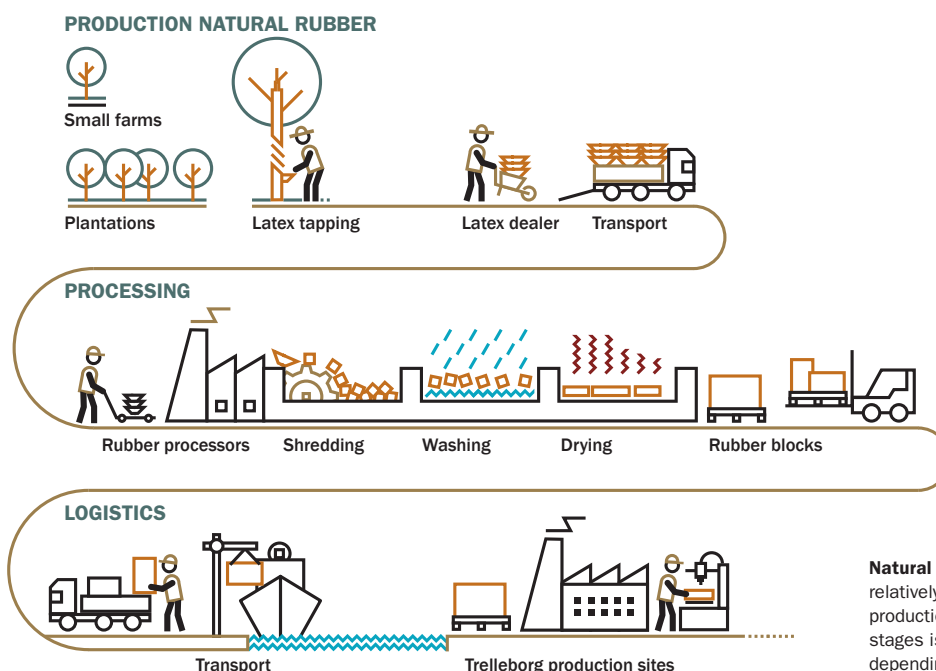
Dialogue with natural rubber suppliers. Dialogue with suppliers, with information gathering and as a precautionary approach, continued in 2016–2017 concerning natural rubber from Southeast Asia and Africa as a continuation from measures in 2014–2015 in Sri Lanka, where Trelleborg assembled more than 1,000 representatives of direct and indirect suppliers of natural rubber to a series of information meetings on the Code of Conduct and child labor.

The image below shows the principle value chain for natural rubber and the relatively long distance between Trelleborg's production units and rubber producers.

CENTRAL POLICIES IN THE AREA OF COMPLIANCE

All relevant employees sign an Acceptance Letter every year where they confirm knowledge of and compliance with all of the Group's policies, of which the following are considered to form the core of the regulations Trelleborg applies in the area of Compliance:

- » Anti-corruption Policy
- » Competition Law Policy
- » Whistleblower Policy
- » Policy for Handling of Agreements
- » Policy for Transactions with Related Parties



Natural rubber. The supply chain is relatively long from grower to Trelleborg's production facilities. Three or four stages is not unusual, but this varies depending on the country/continent.

Outcome in brief for 2017 in the area of Compliance

| Compliance | Where? | Outcome 2017 | Description of goals and main governance |
|--------------------------------------|--------|---|--|
| Anti-corruption and competition law. | ■ | 560 (650) employees underwent classroom training in anti-corruption, competition law, contract management and so forth. In addition, e-learning webinars are available. | Zero tolerance approach to all types of bribery, corruption, cartel and other criminal behavior. Knowledge about relevant Group policies and the Code of Conduct is a requirement that is ensured through recurring training sessions for all employees, which are supplemented with special training programs in the area. |
| Training in the Code of Conduct | ■ | 83 percent of employees underwent training sessions, e-learning or classroom training during the year. | The goal for 2017 was that 85 percent of the Group's employees should undergo training in the Code of Conduct during the year. The training initiative will continue in 2018. |
| Compliance (general) | ■ | There were zero (0) reported significant breaches of laws and permits during the year. | Local governance in accordance with the Code of Conduct and local legislation. All significant cases in terms of fines and sanctions are reported to Group Legal and are included in reporting. The Compliance Task Force is a central forum for all compliance issues, refer to page 51. |
| Environmental compliance | ■ | 5 cases (3) of fines or sanctions for breaches of environment or OHS-related laws and regulations were reported, totaling SEK 209,000 (36,000). | Local governance in accordance with the Code of Conduct, permits and local legislation. All significant cases in terms of fines and sanctions are reported to Group Legal and are included in reporting. |
| Whistleblower cases | ■ | During the year, 18 matters (14) were reported via the whistleblower system, most of which concerned complaints about local management and measures such as staff reductions. In some cases, reviews were carried out and identified non-compliances with the Group's Code of Conduct and policies, and relevant measures have been taken in these cases. | Trelleborg's Whistleblower Policy implies that every employee is entitled to report suspicions of legal or regulatory violations without repercussion. |
| Discrimination | ■ | 5 cases (5) of discrimination from the U.S., U.K. and the Netherlands were reported and reviewed. In some of these cases, a settlement was reached between the parties while in others, relevant measures were taken. One case is under investigation. | Zero tolerance applies to discrimination (reported and reviewed cases). Local governance in accordance with the Code of Conduct. Reported cases are dealt with at local level and reported centrally. |
| Freedom of association | ■ | 53 percent (54.7) of employees are represented by a trade union through collective agreements. | The right to freedom of association, through union or other personal representation, and collective bargaining, is highlighted in the Code of Conduct. |
| Child labor | ■ | Zero breaches (0) were reported. | Zero tolerance applies to child labor, which is also seen as an area of particular importance in the supplier reviews conducted in part through a questionnaire, and in part through selected cases in supplier audits. |
| Forced labor | ■ | Zero breaches (0) were reported. | Zero tolerance applies to forced labor, which is also seen as an area of particular importance in the supplier reviews conducted in part through a questionnaire, and in some cases via supplier audits. |
| Suppliers | ■ | Supplier reviews were carried out corresponding to 84 percent (80.6) of the defined relevant purchasing value. Zero ongoing investigations were reported in December 2017 (0). During the year, 1 supplier relationships (0) was terminated for reasons related to the Code of Conduct. 15 supplier audits (14) were conducted during the year in China, India and Turkey. The most serious breaches include blocking emergency exits and deviations in procedures for handling of chemicals. | The goal is to only work with suppliers who adhere to applicable sections of Trelleborg's Code of Conduct. Reviews, including self-assessments, are to be completed with at least 80 percent of the relevant global purchasing value. Site visits with an audit of "at-risk suppliers" (based on geographic and material risk assessment), supplement the self-assessments. Since 2016, 29 supplier audits have been conducted, mainly in China, but also in India, Turkey and Indonesia. Refer also to page 52. |
| Environmental management systems | ■ | At the end of 2017, 89 units (88) were certified under ISO 14001, corresponding to 79 percent (73) of all facilities. | The goal is that all major production units will have an ISO 14001-certified environmental management system. |
| Unplanned emissions | ■ | During the year, 2 unplanned emissions (4) of oil and sodium silicates were reported, totaling less than 28 cubic meters. | Local governance of all handling operations subject to permits, even via the environmental management systems in accordance with ISO 14001. |
| Remediation of contaminated soil | ■ | Contaminated soil is currently being remediated at 9 units (9). Another 12 facilities (12) are expected to require remediation, although the extent has not yet been determined. | Trelleborg is also active as one of several parties in additional cases of remediation, although with marginal liability for costs. |
| Environmental studies | ■ | In 2017, 11 studies (27) of facilities were performed in conjunction with acquisitions or closures. | Environmental studies are conducted to assess and outline the environmental impact and identify potential environmental liabilities for the company. |

Symbols: ■ = Internal, all units ■ = Internal, all production units ■ = Internal, certain units ■ = External, suppliers or acquisition candidates



SAFE AND EFFICIENT USE OF RESOURCES



Manufacturing Excellence, which develops Trelleborg's production processes, and the Group's Safety@Work program relating to health and safety, are two of the pillars of the company's efforts to achieve a safe workplace and efficient resource management.

In 2017, efforts have in part focused on gradually moving the newly added units closer to Trelleborg's standards and target levels in terms of safety and resource efficiency. The most important program to achieve this is Manufacturing Excellence, which also includes the occupational health and safety program Safety@Work.

Manufacturing Excellence takes a systematic approach to improvements for enhanced safety, quality, delivery precision that also yields distinct positive effects on resource consumption by focusing on minimizing all resource waste. Read more about the Excellence Programs on page 33.

Occupational health and safety. Trelleborg's Safety@Work program aims to create

a shared safety culture and to prevent occupational accidents and injuries.

The program is monitored by performing annual audits in which the facilities are assessed in relation to best practice in terms of occupational health and safety management, machine safety, accident follow-ups, etc. Deviations are assessed according to a traffic light system where yellow and red dots require an action plan.

The outcome for the year for OHS-related indicators is shown in the table on page 56.

Raw materials and chemicals. The Group's principal raw materials in Trelleborg's processes 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). Trelleborg's environmental policy stipulates that attention is given to the precautionary principle, and 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.

In addition to the ongoing local work with REACH compliance, work related to chemicals during the year was carried out by the Global Chemical Task Force, a corporate-level team that assists the business units in their efforts to phase out substances considered harmful. An internal *Restricted Materials List* has been compiled, and a project was actively pursued by the team during the year focusing on prioritized materials.

Energy. A significant portion of the Group's energy consumption – and thus its climate impact – is connected to fossil-fuel combustion for the production of steam (direct energy and emissions) and purchased electricity, steam and district heating (indirect energy and emissions).

The outcome in 2017 for energy related indicators is shown in the table on page 56.

Energy Excellence, an initiative for systematic energy optimization at all units, is an integrated part of the Manufacturing Excellence program (refer to page 33).

All production units must present an activity plan to reduce energy consumption, with the target to improve their energy efficiency by 3 percent per year.



In addition to process-related measures, many units are focusing on systems for improved monitoring of energy consumption and on increasing energy awareness among personnel.

The results for the year (see table on page 56) reflect a higher production rate year-on-year, where it should be particularly noted that the major acquisition of CGS Holding is included with all of its units since 2016, and that 2017 is therefore the first full year for Trelleborg with a new, more energy-intensive product mix. Compared to the rest of Trelleborg, these recently acquired units generally have historically higher energy consumption relative to sales, because of a higher share of tire manufacturing, see comments in the table on page 56.

Climate. Trelleborg's 20 by 20 climate objectives (refer to page 57) address and reflect the carbon intensity, meaning the total size of CO₂ emissions relative to the size of operations, as well as work on a transition to emission-optimized energy sources in each country. The outcome in 2017 for climate-related indicators is shown in the table on page 56.

A clear challenge for the years ahead remains to ensure that recently acquired units rapidly achieve high energy efficiency, particularly those with energy-intensive tire manufacturing. This would also enable improvements in climate efficiency, measured in emissions relative to sales.

To this end, a baseline was created for the "20 by 20" climate goal, based on performance in 2015 for all of the Trelleborg units and units from CGS at that time. Using this baseline, developments in 2017 – the first full fiscal year since the integration of the CGS units into the Trelleborg Group – were relatively stable and provide a foundation for continued improvement. Trelleborg is carefully following developments in order to achieve the "20 by 20" climate target.

The calculation of CO₂ emissions from the consumption of purchased electricity or steam is mainly based on national conversion factors from the International Energy Agency, see below for exceptions. These factors reflect the average total energy mix of each country. Emissions are lower when hydro and nuclear power dominate, but higher when coal and oil dominate.

The most recently acquired units are primarily located in countries (the Czech Republic, Serbia, etc.) with a national energy mix featuring a high level of fossil fuels, which produces relatively higher emissions. This means CO₂ emissions in 2017 increased in relative terms more than energy consumption. However, this will change as more and more Trelleborg units – in the Czech Republic from 2018 – are buying "green energy", which entails lower emissions of CO₂ per consumed unit of energy than in the country as a whole. This will thus be factored in to the total emissions figure moving forward, thereby producing significantly better results.

Only two of the Group's units – Prague and Tivoli – are included in the EU Emissions Trading System (EU ETS). Described simply, operations are allotted emission

allowances (1 allowance = 1 ton CO₂) after applying for and/or purchasing emission allowances on the international market.

Each year, these operations must report their emissions of CO₂ and transfer emission allowances corresponding to the emissions caused.

Water. Water is mainly used for cooling and washing in our production processes. The outcome for the year for water-related indicators is shown in the table on page 56.

Major reductions in consumption have been made since 2008 by using, for example, improved cooling and recycling systems. Emissions to water are limited. They mainly comprise organic matter.

A mapping of water scarcity has been carried out for regions where Trelleborg's production units are located, and indicates that certain units are located in regions where water scarcity may become an issue, such as in China, Italy, the U.S. and Sri Lanka. The focus for follow-up is on these regions.

Waste. Continuous efforts are taking place within the local operations to cut production waste, which helps to reduce the amount of waste, and to increase the rate of recycling. Recycling is carried out by external partners and internally. Refer to the table on page 57.

Emissions to air. In addition to energy-related emissions – such as CO₂ (see page 54), sulfur dioxide and nitrogen oxides – the company's emissions to air mainly consist of volatile organic compounds (VOCs). Trelleborg uses the same definition of VOC as the EU. The reduction of VOC emissions is a priority, both from an environmental and health perspective. Emissions are mainly derived from the use of solvent-based adhesives, which are critical only for a relatively limited number of products and production units.

A newly installed VOC recovery plant will be commissioned in Barueri, Brazil, in 2018.



CLIMATE REPORTING IN ACCORDANCE WITH THE CDP

Since 2007, Trelleborg has participated in the CDP's (formerly referred to as the Carbon Disclosure Project) voluntary reporting of greenhouse gas emissions, which











involves openly reporting relevant key figures and data, measures to prevent adverse climate impacts, and products, solutions and initiatives to improve society in this respect. In the Annual CDP Report for 2017, Trelleborg received a score of C, which means the company demonstrates Awareness of how environmental concerns are inter-related with operations (2016: C).

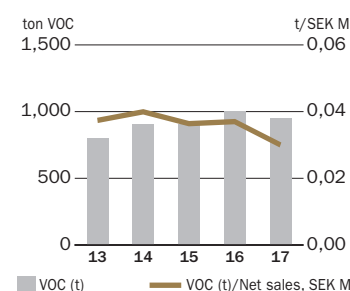
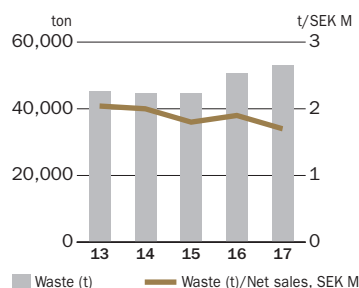
A company's path towards a high level of environmental protection/administration is described by CDP using a process in four scoring levels that begin with D (Disclosure), continues with C (Awareness), followed by B (Management), and finally A (Leadership).





Outcome in brief for 2017 in the area of Resources

| Resources | Where? | Outcome 2017 | Description of goals and main governance |
|--|--------|--|---|
| HEALTH AND SAFETY | ■ | The curve shows the number of work-related injury/illness cases per 100 employees resulting in more than one day's absence. This figure has gradually declined, but increased in 2016 due to recently acquired units. In 2017, the figure is stable despite the recently acquired units with a higher accident frequency rate being included for the first full year. However, work days lost per injury increased slightly. | The Safety@Work program aims to establish a shared safety culture through improvement programs and preventive measures at all production units. Self-assessment is combined with internal and external audits. |
| Fatal accidents | ■ | Zero fatal accidents (0) | |
| LWC | ■ | 438 cases (402) resulting in at least one day's absence (LWC) | |
| LWC per 100 employees | ■ | 2.4 LWC per 100 employees (2.4) | |
| LWD | ■ | 30.3 work days lost on average per injury (24.1) | |
| Safety committee | ■ | 84 percent of facilities have a safety committee (85) | |
| Absenteeism in Sweden. | ■ | 5.2 percent of normal working hours (5.9) | |
| ENERGY | ■ | In total, energy consumption has increased due to higher production volumes during the year and the impact of the recently acquired units (higher share of energy-intensive tire manufacturing) during their first full year with the Group in 2017. Relative to sales, consumption is stable, which is consistent with the expectation that Trelleborg's systematic measures for energy efficiency over time will lead to improved results despite the fact that acquisitions may have a temporary impact. | Energy has been a prioritized area for Trelleborg for some time through the Energy Excellence initiative, which is part of the Manufacturing Excellence program (refer to page 33). All production units must present an activity plan to reduce energy consumption, with the target to improve their energy efficiency by 3 percent per year. Local energy coordinators are trained via global training sessions (most recently in 2017), and a shared toolbox is available. |
| Energy consumption | ■ | Total of 1,493 GWh (1,248). The share of direct energy is 696 GWh (590). | |
| Energy consumption relative to sales | ■ | 0.047 GWh per SEK M (0.047). Energy consumption in relation to sales is stable, which is positive given the energy intensive product mix with a higher proportion of tire manufacturing in the Group, which has impacted the full-year 2017. The value has clearly improved compared with the forecast pro forma value for the full-year 2016 (0.051). | |
| Energy cost | ■ | SEK 1,109 M (610) | |
| CLIMATE | ■ | Both in total and relative to sales, CO ₂ emissions have increased, which can be considered logical due to the impact of the recently acquired units on full-year 2017. In the long term, Trelleborg's systematic measures for energy efficiency and the transition to green energy are expected to yield results (refer to the box on page 57). For 2015 and 2016, pro forma values are also included that reflect the total full-year outcome for Trelleborg including CGS units (acquired in 2016). | The "20 by 20" goal aims to achieve a 20 percent reduction of CO ₂ emissions in relation to sales in the 2015–2020 period. See also the box on page 57. Energy efficiency, supported by the Energy Excellence initiative (page 33), has been a prioritized method to reduce emissions, and this is supplemented with a transition to green energy. Read more in the "Trelleborg and climate" box on page 57. |
| Total CO ₂ emissions | ■ | 487,200 tons (385,000) of which direct emissions amounted to 144,700 tons (122,300). The rise reflects increased production volumes and the changed product mix with a higher share of tire manufacturing and a modified geographic footprint. | |
| CO ₂ emissions in relation to sales | ■ | 15.4 tons per SEK M (14.2) The forecast pro forma value for the full-year 2016 was 16.2, and compared with this, there was an improvement during 2017, both in terms of increased energy efficiency and the transition to green energy. | |
| WATER | ■ | In 2017, water consumption, meaning water for production and sanitary water, increased slightly in absolute terms but declined relative to sales. | Even if water is one of the central environmental key figures reported, consumption is most crucial in production areas with water shortages, or where water shortages can be expected. |
| Water consumption | ■ | 2.36 million m ³ (2.18) | |
| Water consumption relative to sales | ■ | 74.7 m ³ per SEK M (80.4) | |
| Water sources | ■ | 61 percent drinking water (57) 18 percent from the company's own wells (20) 20 percent surface water (rivers, lakes, etc.) (23) 1 percent other sources (0) | |

Symbols: ■ = Internal, all units ■ = Internal, all production units ■ = Internal, certain units ■ = External, suppliers

| Resources | Where? | Outcome 2017 | Description of goals and main governance |
|-----------------------------------|---|---|--|
| WASTE |  | In 2017, the amount of waste increased in absolute terms due to rising production volumes, although a decrease was noted relative to sales due to efficiency enhancements. | Waste minimization is an expressed goal in the Manufacturing Excellence initiative, which is conducted in all production units and is followed up on a monthly basis, see also page 33. |
| Waste volume |  | 53,500 tons (50,600). Of the total volume, rubber accounted for 28 percent (27) | |
| Waste volume related to net sales | | 1.7 tons per SEK M (1.9) | |
| Waste cost |  | SEK 51 M (68). A clear downward trend was noted for waste costs. | |
| Waste management |  | 4 percent for internal recycling (4) 47 percent for external recycling (49) 14 percent for energy recovery (11) 24 percent for landfill (27) 11 percent for other waste management services (9) | |
| Hazardous waste |  | 7,113 tons (6,287) | |
| EMISSIONS |  | Emissions of VOCs (volatile organic compounds), measured as total emissions and relative to sales declined during the year despite increased production volumes. Emissions of sulfur and nitrogen oxides rose somewhat on account of the higher production volumes. | Significant emissions comprise mainly VOC (volatile organic compounds), defined according to EU standards. Reducing VOC emissions is a priority both from an environmental and health perspective. |
| VOC |  | 952 tons (1,005) | |
| VOCs in relation to sales |  | 0.030 tons per SEK M (0.037) | |
| Sulfur dioxide |  | 187 tons (184) | |
| Nitrogen oxides |  | 65 tons (54) | |



Symbols:  = Internal, all units  = Internal, all production units  = Internal, certain units  = External, suppliers

TRELLEBORG AND CLIMATE: THE “20 BY 20” GOAL

Climate change has been an important issue on Trelleborg's sustainability agenda for many years. Being more energy efficient, and thus more climate efficient, is important to the Group's efforts to achieve world-class manufacturing. Trelleborg has raised the bar until the end of 2020: The goal is now, using 2015 as the base year, to become 20 percent more climate efficient by the end of 2020, and we thus refer to the initiative as “20 by 20”.

The emissions in question are the direct emissions caused by energy produced internally, and that are included in Scope 1 of the Greenhouse Gas Protocol (see the diagram below), and the indirect emissions caused by energy purchased for own consumption, corresponding to Scope 2 in the diagram below.

The Energy Excellence program, which began in 2009 (refer to pages 33 and 54–55) has over time reduced relative energy consumption in Trelleborg's production, while simultaneously reducing CO₂ emissions to different degrees in different countries. 2008 was the base year for Trelleborg's first long-term goal to become significantly more climate-efficient; the “15 by 15” goal – to become 15 percent more climate-efficient by year-end 2015 – was also achieved with a certain margin.

The new step “20 by 20” is important but also represents a major challenge since Trelleborg's recent acquisition (2016) of CGS Holding resulted in the Group growing by approximately a fifth of its size, and increased the overall share of the energy-intensive tire manufacturing. To create correct comparative figures, the figure for the base year 2015 has been calculated by adding Trelleborg's emissions together with emissions from CGS units from the same year.

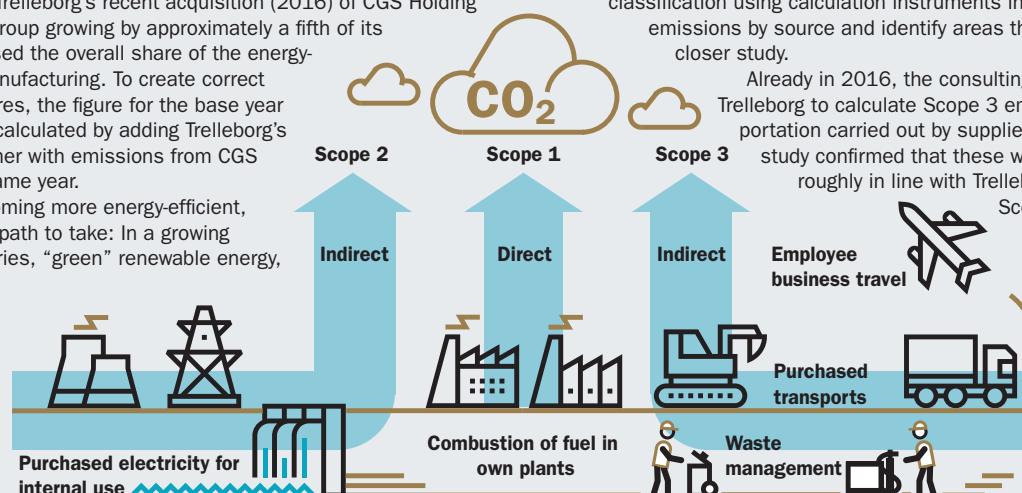
Beyond becoming more energy-efficient, there is another path to take: In a growing number of countries, “green” renewable energy,

particularly electricity, is becoming available at prices comparable with those of fossil energy. As this happens, a transition can take place to renewable energy sources, such as wind, solar and hydropower. This transition has already taken place in Trelleborg's Italian operations. All of the Group's Italian manufacturing facilities switched to green energy in early 2016, which resulted in a clear reduction in CO₂ emissions. As this trend takes off in other countries, the Group is taking the opportunity to take decisive action to reduce its emissions, and next will be the Czech Republic, where green energy will be implemented from 2018.

Furthermore, in 2018 Trelleborg will continue its work toward reporting substantial parts of emissions in Scope 3 (see image below). This includes indirect emissions across the value chain, including purchased transport, travel, purchased materials, product use and waste management.

The ongoing analysis will provide a general inventory of the size of CO₂ emissions within the framework of Scope 3 in accordance with the Greenhouse Gas Protocol (GHG Protocol). Trelleborg is cooperating with EY in preparing a general calculation of Scope 3 emissions across the value chain. This approach is based on an initial inventory and classification using calculation instruments in order to quantify emissions by source and identify areas that are worthy of closer study.

Already in 2016, the consulting firm EY helped Trelleborg to calculate Scope 3 emissions from transportation carried out by suppliers downstream. The study confirmed that these were substantial and roughly in line with Trelleborg's reported Scope 2 emissions.



DIVERSITY PROVIDES OPPORTUNITIES

A significant factor in Trelleborg's value creation is the expertise and diversity of its employees.



Trelleborg works to achieve a balanced mix of ethnicities, ages and genders, taking into consideration the type of operation being pursued.

The draft for a new *Diversity Policy*, which is scheduled to be adopted in the first half of 2018, recognizes that diversity is a strength for the Group. Enhanced diversity and inclusion has the potential to further drive Trelleborg's performance and results, both at team level and individually. Better customer communication and problem solving are only a few such examples.

Diversity and inclusion are generally seen as important elements in situations such as recruitment, training, evaluation, pay structures and succession planning. Trelleborg should therefore continue the work started to identify and establish key figures in the focus area of Diversity, for continuous follow-up and reporting, for example via the annual report.

Questions in future employee surveys (from 2018 and onwards) will include the theme of Diversity.

Alongside the fundamental rules against special treatment and discrimination in the Code of Conduct (see page 52), the company values knowledge wherever it is found, with no other criteria than the fundamental view that all people are equal and have the same rights. Refer also to discrimination on pages 51 and 53.

Ethnicity. A basic rule is that the company's senior management and other managers should have local roots, which naturally leads to ethnic diversity in the management of a company that operates in more than 40 countries.

At year-end 2017, management at levels 1-3 of the company (senior management team and those in senior positions in the business areas) comprised 13 different nationalities (13). See also the table on page 59.

Age. A core issue for all knowledge organizations, including Trelleborg, is the ability to recruit young talent.

Trelleborg has for a number of years

focused on the younger generations – employees born 1980 and later (Generation Y), and different initiatives have been carried out, such as a global survey and workshops.

For the first time, two graduate programs will start in 2017-2018 within a six-month interval. This indicates a clear commitment to younger employees – normally one program is started per year.

The Group's intranet is constantly being developed using feedback from younger employees in order to make it more user-friendly and in line with contemporary expectations for functionality and technology. Regular courses are held focusing on ways to use the intranet.

Gender. In an engineering-dominated company like Trelleborg, efforts to achieve a more even gender balance present challenges that require work at all levels. Higher Group and business area levels remain dominated by men, but the gender distribution is significantly more balanced in the business operations.

BROAD-BASED COMMUNITY INVOLVEMENT

Trelleborg's role in society ranges from innovation for better sustainability to local programs for development and diversity.

Trelleborg's value for society. In the longer term, Trelleborg's products and solutions – what Trelleborg calls Blue Dimension™ – represent the company's broadest and clearest opportunity to contribute to improvements in the sustainability of society in accordance with the UN sustainable development goals. This is achieved through the ability of its products and solutions to protect the environment, people, infrastructure and assets, which is described in more detail on pages 34–35.

Trelleborg's total value creation in 2017 distributed between various stakeholders in society is presented in figures below and on page 29.

Local development programs. In all of the different places and forms in which the company operates, Trelleborg aims to promote the social integration of groups, such as young people and the disabled. This is usually through educational and development initiatives, which include meaningful recreational activities, such as physical activity and sports. A number of programs with this focus are taking place in various countries, see examples on this page and the next.

Other similar cooperation – support or sponsorship – of activities with an environmental, health or social focus are in progress locally at a significant number of Trelleborg units. In local collaborations with sports clubs, diversity is prioritized, primarily in the form of activities targeting young people.

In addition to these, Trelleborg collaborates with a number of schools and universities, such as internships with the University of Malta and Lund University in Sweden (refer also to pages 49–50 for examples of collaboration with the International Institute for Industrial Environmental Economics in Lund, Sweden) as well as various professional associations.

Sri Lanka. In partnership with Star for Life, a school program has been ongoing in Sri Lanka since 2012 and this was extended to include two schools in the Colombo area: Kelani College and Bellana College. The formal start of the collaboration with Bellana College took place in January 2017.

The program aims to inspire and support school children to believe in their future and their dreams through regular coaching sessions and sports and music activities.

After three years of the program at Kelani College, the program was evaluated in May 2017, and was found to have resulted in improvements in attendance, positive attitudes, better study results, physical and mental balance and a reduction in absenteeism and conflicts.


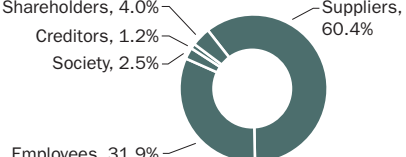

In Sri Lanka, Trelleborg has also been running a pre-school under the name Antonio Bianchi's House since 2010. The pre-school has daily activities for children from family circumstances with limited resources. Refer to images on page 61.

India. In 2017, partnerships with voluntary organizations in India continued. A Village Uplift Program was run in cooperation with the Hand in Hand organization, with the aim of creating an environment and an infrastructure to promote local development for the Maralukunte community in the Bengaluru region, located some 70 km from Trelleborg's facilities.

For integration and diversity. The company also runs local initiatives in Sweden to contribute to social integration. For a number of years, the company has had a recurring cooperation with Trelleborg's Football Association and the Ramlösa Södra sports association, organizations that stand out as having used sport as a method to create social interaction and meaningful recreational activities for groups of young people, such as newly arrived refugees and the disabled.

During 2016–2017, the Group launched additional initiatives in the town of Trelleborg, including internships for newly arrived academics in a program organized by EFL Foundation at, Lund University, and our own internship program for unaccompanied refugee children in order to facilitate their adjustment to the education system and labor market.

Outcome in brief in the area of Community Involvement

| Community Involvement | Where? | Outcome 2017 | Description of goals and main governance |
|----------------------------|---|---|--|
| Distributed economic value |  | In total, Trelleborg's operations generated economic value of SEK 32,755 M (27,466) of which SEK 29,127 M is distributed between stakeholders (suppliers, employees, shareholders, creditors, society). See details on page 29. | <p>Distributed value 2017</p>  <p>Suppliers, 60.4%</p> <p>Employees, 31.9%</p> <p>Society, 2.5%</p> <p>Creditors, 1.2%</p> <p>Shareholders, 4.0%</p> |
| Local communities |  | Educational and development programs continued to be run in Sri Lanka, India, Sweden and a number of other countries in 2017. Another Star for Life school, Bellana College, was formally opened in early 2017. | Good relationships with local communities wherever the company operates is one goal that Trelleborg strives to achieve through local – and sometimes centrally supported – educational and development initiatives, often targeting children and young people. |

Symbols:  = Internal, all units  = Internal, all production units  = Internal, certain units  = External



A variety of community involvement. At Trelleborg's facility in Bengaluru, India, several different types of collaborations are pursued that incorporate social dimensions. In addition to the partnership with Hand in Hand – a project extending over several years aimed at developing an entire village in the local area – Trelleborg is working even more locally, for example, with the nearby school, its staff and pupils (image).



Star for Life. Since 2012, Trelleborg is involved in an activity in Sri Lanka that supports youth development as part of and alongside school work to help students realize their life goals.



Antonio Bianchi's House.

In the Antonio Bianchi's House preschool outside Colombo in Sri Lanka, Trelleborg conducts daily Montessori-based activities for children from disadvantaged backgrounds.



MANAGING TRELLEBORG'S CORPORATE RESPONSIBILITY

TRELLEBORG'S CR CONTROL



Code of Conduct and monitoring. A pillar of the internal CR work is Trelleborg's Code of Conduct (see also page 52) and policies in the areas of environment, occupational health and safety (OHS) and ethics. The Code is based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines and the UN Global Compact, which Trelleborg signed in 2007.

The Code of Conduct applies to all employees without exception, and training in the content of the Code is mandatory for all employees. Refer to page 51.

Internal CR governance is further supported by various types of internal audits, within the framework of the occupational Safety@Work program and the ISO 14001 environmental management system, for example, as well as random external audits, such as initiatives to monitor compliance with the Code of Conduct.

Whistleblower Policy. Trelleborg's Whistleblower Policy also supports the CR framework. The Whistleblower Policy enables all employees to report suspected legal or regulatory violations without repercussion. Reports can be submitted by phone or online in the employee's own language.

CR reporting and external reporting. The collection of CR data relates to all units included in the Group during the relevant period and is mainly performed within the framework of monthly reporting via

Manufacturing Excellence (see page 33) and via specific CR reporting from all Trelleborg units twice per year. The same system is used to report both financial and CR data.

The external reporting of Corporate Responsibility issues that is published in Trelleborg's Annual Report and in the annual, more comprehensive Corporate Responsibility Report is based on the G4 Guidelines of the Global Reporting Initiative (GRI), according to the Core option.

In addition, there is a Corporate Responsibility section under *About Us* on Trelleborg's website www.trelleborg.com, from where Annual Reports and CR Reports can be downloaded, including those published in previous years. The CR Reports also serve as Trelleborg's annual Communication on Progress (COP) reports for the UN Global Compact.

The CR Report contains detailed descriptions and an index to clarify exactly how the report follows the GRI guidelines.

Organization. At Board level, the Audit Committee has been assigned to monitor the Group's work with CR issues.

In 2016–2017, the entire Board was regularly presented with case stories from Trelleborg's daily Corporate Responsibility work. Together with a more in-depth review at the Board meeting after mid year of CR targets and indicators for each focus area for the coming period, this clearly reflects the Board's commitment to the strategic CR direction.

The operational CR organization consists of a Steering Committee comprising the presidents of Group Legal, Group Communications and Group HR staff functions, while the day-to-day activities take place in the Corporate Responsibility Forum, a group comprising representatives from the Communications, Legal, Environment, HR, Purchasing and Finance/Treasury staff functions, and from the Manufacturing Excellence Program, as well as out in the operational units.

Direct responsibility for environmental and occupational health and safety (OHS) issues is locally delegated – each production plant has an environmental coordinator and an OHS officer.

ORGANIZATION



INDEX OVERVIEW

GRI G4 – CORE

To make it easier to find information about Trelleborg's CR work in the Annual Report, material Corporate Responsibility issues have been grouped in areas with page references that conform to the GRI G4 Sustainability Reporting Guidelines according to the Core option.

Material sustainability aspects according to GRI can be found under the respective report area/focus areas. Those that do not constitute specific GRI Aspects are written in *italics*.

Indicators in the first column with omitted parts are marked with an asterisk*, and commented on in Trelleborg's separate 2017 CR Report.

The second column contains material GRI G4 Indicators for the respective sustainability aspect, with page references in the third column. The page references are printed at the bottom of each relevant page in the Annual Report.

The fourth column contains references to the UN Global Compact, which Trelleborg signed back in 2007.

A detailed GRI Content Index with boundaries and omitted parts is included in the more comprehensive 2017 CR Report, which can be downloaded as of April 2018 from www.trelleborg.com/About Us/Corporate Responsibility.

The 2017 CR Report is prepared according to guidelines for sustainability reporting in compliance with the Swedish Annual Accounts Act, see the color coding below and the explanations at the bottom of the page.

| Report areas/sustainability aspects | GRI G4 Indicators | Pages in the Annual Report | Connection to principles in the UN Global Compact |
|---|--|---|---|
| Company's CR Profile | | | |
| CEO's comments | G4-1 | 3–5, 47 | |
| Trelleborg profile, incl. business model, overriding targets and governance | ■ G4-3–G4-11, G4-13, G4-17, G4-34, EC4 | Cover, 1, 7–9, 10, 12–25, 27–32, 35–39, 41–45, 53–56, 62, 71–73, 77, 101, 137 | 3, 6 |
| Code of Conduct/policies and external initiatives | ■ G4-15–G4-16, G4-56 | 28–29, 33–34, 36–37, 40, 47–49, 51–58, 60, 62–63, 72, 76 | |
| Stakeholder engagement | G4-24–G4-27 | 48–50, 58–59 | |
| Report profile, incl. materiality analysis | G4-18–G4-23, G4-28–G4-33 | 47–50, 53 | |
| Focus areas with sustainability aspects based on GRI G4 | | | |
| 1 Compliance with laws and codes | | | |
| Anti-corruption | ■ S04–S05 | 10, 51, 53 | 10 |
| Competition issues | ■ S07 | 10, 53 | |
| Regulatory compliance (general) | ■ LA16, S08 | 10, 53 | |
| Regulatory compliance (environmental) | ■ EN24, EN34 | 53 | 7 |
| Non-discrimination | ■ HR3 | 10, 52–53 | 1, 2, 6 |
| Freedom of association and collective bargaining | ■ HR4 | 52–53 | 1, 2, 3 |
| Child labor | ■ HR5 | 10, 51, 53 | 1, 2, 5 |
| Forced labor | ■ HR6 | 10, 51, 53 | 4 |
| Suppliers | ■ G4-12 | 10, 52 | |
| Compliance in the supply chain | ■ EN33, LA14, LA15, HR10, HR11, S010 | 10, 51–53 | 1, 2 |
| 2 Resources | | | |
| Energy | ■ EN3, EN5, EN6 | 33, 54–56 | 7, 8, 9 |
| Climate | ■ EN15–16, EN17*, EN18–19, EN30* | 10, 33, 55–57 | 7, 8, 9 |
| Emissions | ■ EN21 | 57 | 7, 8, 9 |
| Water | ■ EN8 | 56 | 7, 8, 9 |
| Waste | ■ EN2*, EN23 | 57 | 7, 8, 9 |
| Chemicals | ■ G4-14 | 54 | 3 |
| Health and safety | ■ LA5*, LA6* | 10, 56 | 6 |
| 3 Diversity | | | |
| Professional development | ■ LA10* | 59 | |
| Diversity policy and categories | ■ LA12* | 58–59, 77 | 6 |
| 4 Social engagement | | | |
| Community development | ■ EC1, S01 | 11, 29, 60–61 | 1 |

Requirements in the Annual Accounts Act concerning sustainability reporting: ■ Business model ■ Risks ■ Policy/Target ■ Anti-corruption ■ Environment ■ Human rights ■ Social conditions incl. diversity



→ **Reduced soil compaction** and greater accessibility. With Trelleborg's smart tire concept, farmers can both preserve natural resources and increase the yield from their harvests.

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.

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

Trelleborg serves a broad range of customers in a variety of market segments and niches. With a wide geographic spread. The Group has operations in about 50 countries, sales are conducted in just over 150 countries worldwide and manufacturing operations are carried out at more than 100 production units. The business is diversified, which provides Trelleborg with an effective underlying risk spread.

Demand for the Group's products and solutions largely moves in line with fluctuations in global industrial production. Trelleborg focuses on maintaining an exposure to its market segments that has a good balance between early and late cyclical industry, meaning general as well as capital-intensive industry, the demand from which often balances each other out. Seasonal effects occur in the various market segments, particularly in the agricultural segment, which normally experiences higher demand for tires for agricultural machines during the first half of the year. For the Group, demand is usually higher in the first half of the year than in the second half of the year.

Sustainability-related risks. In addition to the identified major risks described on pages 66–69, there are at least three risk areas related to sustainability issues: the first area pertains to *Regulatory compliance*, meaning the risk of insufficient compliance within both the organization and the supplier chain (refer also to page 51); the second area pertains to *Resources* and primarily relates to risks associated with resource or material shortages or the negative impact of emissions; the third pertains to *Products*, mainly risks associated with the use of Trelleborg's products and services. Although these areas of sustainability-related risk are not considered major risks for the Group, they could all impact confidence in the Trelleborg Group should they arise.

Confidence risks. As one of the leading companies in the polymer industry, Trelleborg is subject to high expectations from all of its stakeholders. The Group is exposed to a risk that the behavior, business decisions and deliveries of individual employees could destroy the confidence built up over a long period of time, not least since the Group operates in a global market with a strong brand and in certain segments with an elevated risk level. 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.

Trelleborg focuses on a variety of issues and activities to strengthen and build stakeholder trust in the Group, such as training in the Code of Conduct, a clear and well-known brand promise, stakeholder dialogue, product safety and so forth.

Crisis management. Trelleborg's crisis management is decentralized, which means events should be solved locally, as far as possible, close to the origin of the incident. The crisis organization at Group level, consisting of a team from Legal, Communications and HR, is to ensure that relevant employees at Trelleborg have the necessary knowledge and capabilities to handle various incidents. In the event of a major incident, which can be considered to impact the Group as a whole, then the Group's crisis organization, including the Board of Directors, is informed and assesses how to handle the event.

The Corporate Responsibility section on pages 46–63 includes information about Trelleborg's proactive work related to regulatory and code compliance and other areas.

The Corporate Governance Report on pages 64–83 contains a detailed description of the internal controls used to manage the risks associated with financial reporting.

Financial risks are described in Note 31, pages 118–120.

Enterprise Risk Management. Trelleborg has an established process for Enterprise Risk Management (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 by identifying them, evaluating them and providing a basis for decision-making regarding the management of risks, and to enable a follow-up of the risks and how they are managed.

ERM priorities. Trelleborg has identified 8 major risks in five areas. These include risks that may result in damage or loss with substantial impact on the entire Group and therefore justify management of the risk at Group level.

The Group's various companies, business areas and business units have identified a total of about 250 risks. The vast majority of these risks are managed locally.

Some 30 of these approximately 250 risks that may have a major impact at a business area and/or Group level are

identified each year and thus justify the risk being managed at one of these levels. The evaluation of identified risks and consolidation of priorities to manage the risks is led by the Risk Management staff function. The evaluation comprises a component of the annual strategy process and primarily involves the management teams of the business areas, as well as Group Management and the staff functions.

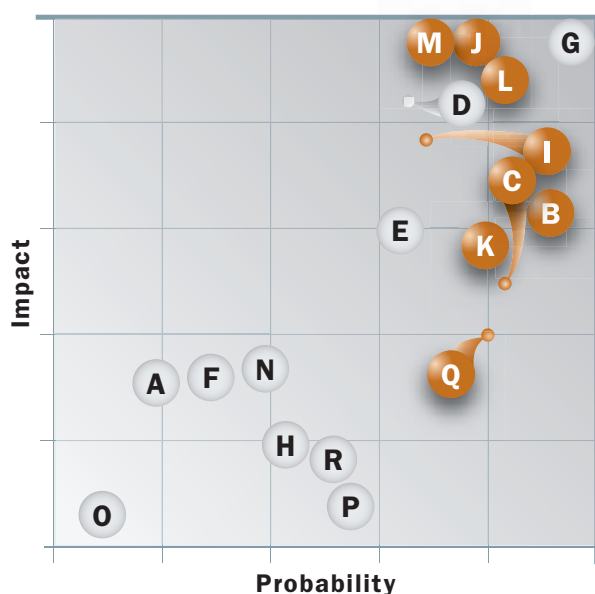
On the basis of the risk prioritization prepared in the ERM process, the Board continuously identifies and prioritizes risks that may significantly affect the possibility of achieving the Group's objectives.

The 8 major risks that are deemed to have a significant impact on the entire Group are managed by the ERM Board, which leads the overall coordination and monitoring of risk activities. 3 meetings are planned in the ERM Board for 2018, which are preparatory meetings for Audit Committee and Board meetings.

Read more about Trelleborg's major risks on pages 68–69.



RISKS THAT MAY SIGNIFICANTLY AFFECT THE GROUP



The move indicates change in relation to the preceding year.

Risks at Group level

- A Liquidity risk
- B Commercial failures
- C Products in environments with elevated risk levels
- D Political risk
- E Disruptions at key suppliers
- F Parent Company and bank guaranties
- G Increases in raw material prices
- H Patent & trademark risks
- I Disruptions to critical IT systems
- J Violation of laws and permits
- K Negative environmental impact
- L Substandard and inappropriate agreements
- M Risk of injury at sites
- N Confidence risk
- O Incentive program
- P Complex and changing tax legislation
- Q Corruption and fraud
- R Loss of niche markets

Major risks at Trelleborg*

Rules

- 1 Violation of laws and permits
- 2 Corruption and fraud

Products and agreements

- 3 Products in environments with elevated risk levels
- 4 Substandard and inappropriate agreements

Sites

- 5 Negative environmental impact
- 6 Risk of injury at sites

IT

- 7 Disruptions to critical IT systems

Disruptive activities

- 8 Commercial failures

* For more details, refer to pages 68–69.



Responsibility. Like the ERM Board, the ERM process and work pertaining to risk are controlled centrally by the Group's Risk Management staff function led by the General Counsel, who assumes ultimate responsibility. In addition to these people and the Internal Control staff function, the ERM Board consists of the Group's CFO and IT Group staff function. The ERM Board is tasked with coordinating and prioritizing the risks and risk processes and ensuring that there is clear ownership of prioritized risks.

Responsibility for risk management lies with the respective managers of Trelleborg's various companies, business areas and business units. 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.

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-bearing 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, strict management of the Group's financial risks and improved internal controls.

Read more about financial risk management in Note 31, pages 118–120.

Monitoring. Trelleborg's risk management is systematically monitored by Group Management using such tools as monthly reports from the managers in charge. The reports describe the status within their respective

areas of responsibility, including the status of identified risks. The Group's General Counsel reports regularly to the Audit Committee on the Group's risk and risk management, and the Group's CFO reports regularly to the Audit Committee on the status of the 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.

MAJOR RISKS AT TRELLEBORG

RULES








| Major risks | Focus | Established key processes | Initiated and ongoing activities |
|-------------------------------|--|---|--|
| Violation of laws and permits | Compliance with competition law | <ul style="list-style-type: none"> • Training seminars in applicable competition law. • Export control focusing on embargoes and trade restrictions. • Established procedures for approving membership in organizations, for example. Refer to pages 51. | Establishment of a central Group steering committee, Compliance Task Force. ● Formalization and expansion of Group Internal Control, focusing on regulatory compliance. ● |
| Corruption and fraud | Measures preventing fraudulent conduct | <ul style="list-style-type: none"> • Continuous training. • Established policies and procedures. • Acceptance Letters issued by the Group's President, whereby relevant employees sign a letter each year confirming their knowledge of the Code of Conduct and compliance with the Group's internal policy instruments. • Trelleborg's Whistleblower Policy and process, which implies that each employee is entitled, without repercussions, to report suspicions of legal or regulatory violations. Refer to page 51. • Review and evaluation of agency and distribution agreements. • Special committee for the counteraction of financial fraud. | Review of Group's internal policy instruments. ● Introduction of Policy Quick Guides to further increase the distribution and comprehension of regulations and the Group's core values. ● |

PRODUCTS & AGREEMENTS




| Major risks | Focus | Established key processes | Initiated and ongoing activities |
|--|----------------------------------|---|--|
| Products in environments with elevated risk levels | Review of products and solutions | <ul style="list-style-type: none"> • Risk assessments to identify products with an elevated risk level, for example, in the areas of oil & gas, marine oil and gas hoses, healthcare & medical and aerospace. • Legal review and risk assessment of contracts and processes concerning production and project management. | Training and workshops which follow operationally specific risk assessments of products and contracts. The concept was initiated within the Trelleborg Offshore & Construction business area and has now been expanded to selected areas of the Group. ● |
| Substandard and inappropriate agreements | Examination of agreements | <ul style="list-style-type: none"> • Comprehensive training in issues concerning agreements. • Legal examination and evaluation of contracts in 11 prioritized areas. | Further development of external services for focused and fast examination of contracts to facilitate business processes. ● |

Percentage of risk work completed: ● 25% ● 50% ● 75% ● 100%


SITES

| Major risks | Focus | Established key processes | Initiated and ongoing activities |
|-------------------------------|--|--|--|
| Negative environmental impact | Review of the sites' local environment and focus on hazardous material and chemicals | <ul style="list-style-type: none"> • Mapping of environmental risks for all new building and acquisitions. • Continuous surveillance of the sites in question and a focus on the handling of chemicals, rainwater and the risk of flooding. • Update of list of materials with restrictions (see page 52), in relation to the use of chemicals and continued environmental assessments at the point of acquisition. | <p>Increased surveillance and monitoring of the handling of chemicals. </p> <p>Establishment of ISO 14001 multi-site certification, which results in increased standardized analysis and control. </p> <p>Establishment of a Group-wide steering committee for chemicals, Global Chemical Task Force. </p> <p>Further expand the internal list of chemical restrictions. Phase out chemicals with significant environmental and health effects. </p> |
| Risk of injury at sites | Protection of critical sites | <ul style="list-style-type: none"> • External and internal analyses for the Group's operations and results of critical sites. • Guidelines for new building and site upgrades. • Increase the number of risk-classified sites being upgraded to Highly Protected Risk level (HPR). Improve the lowest performing and most critical sites. | <p>Selection of Group-wide risk areas, customization of injury-preventing guidelines and increased monitoring. </p> <p>Increased focus on and monitoring of major risks at critical sites. </p> <p>More in-depth mapping of natural disaster risks, with a particular focus on flooding. </p> |

IT

| Major risks | Focus | Established key processes | Initiated and ongoing activities |
|------------------------------------|----------------------|--|--|
| Disruptions to critical IT systems | Minimize disruptions | <ul style="list-style-type: none"> • Improved level of service in terms of the IT infrastructure. • Implement upgrades in a structured, Group-wide manner. <p>Ensure compliance with legal requirements in the various countries in which the Group operates.</p> <ul style="list-style-type: none"> • Improve information security in and between systems. | <p>Structuring of new ERP implementations and increased monitoring of Internal Control. </p> <p>Localization of servers and review of physical protection and information security. </p> <p>Preparations to ensure the Group's compliance with the requirements in the new EU General Data Protection Regulation (GDPR). </p> |

DISRUPTIVE ACTIVITIES

| Major risks | Focus | Established key processes | Initiated and ongoing activities |
|---------------------|---|---|--|
| Commercial failures | New product segments, major projects and acquisitions | <ul style="list-style-type: none"> • Acquisition survey and examination program within the areas of finance, operations and law. • Central approval of new products in selected segments, such as healthcare & medical and aerospace. | <p>Increased business support when establishing new product segments and larger projects concerning responsible risk management, legal risks and new establishments of operations. </p> |

Percentage of risk work completed:  25%  50%  75%  100%



CORPORATE GOVERNANCE THAT SUPPORTS DAILY WORK AND FUTURE POSITIONING

During 2017, Trelleborg put a great deal of time and energy into ensuring that integration of the many large acquisitions made over the past few years is taking place in a forward-looking and structurally correct manner. At the same time as daily sales activities have been in focus, investments have never been higher than now, for the purpose of creating a Group structure that can move Trelleborg onward toward greater value generation.

Corporate governance that promotes value generation. Corporate governance means that the Board of Directors, through processes and governance documents, both supports and ensures that Trelleborg is managed as sustainably, responsibly and efficiently as possible, and that governance becomes a tool for increasing the value of Trelleborg. A clear structure and clear rules ensure that focus is on developing our business.

However, no value growth will take place without employees with the will and commitment to change, to improve and to do good business. This is where the second part of corporate governance comes into play – to provide guidelines and offer support in developing the Group.

Activities in focus. After 2016, the “milestone year” that reshaped the Group through the acquisition of CGS Holding and the divestment of our stake in the Vibracoustic joint venture, 2017 was characterized by the integration of CGS’s various operations into the Group and work to realize identified synergies – without losing focus on our business and customers. Trelleborg was successful in efforts to maintain a high level of intensity in its sales activities. We were also pleased that the divestment of Vibracoustic resulted in a higher additional purchase price than we had initially expected, due to the favorable market trend. The goals set for Vibracoustic have been achieved and exceeded with significant value generation. Vibracoustic shows that shareholder value can be created without the Group being an outright owner of a company.

The Board has never hesitated to support or push for the necessary structural changes to adapt costs to the current market situation, at the same time as we are patient and act in a forward-looking manner in the segments in which we believe. During the year, the Board decided on structural changes in the Trelleborg Offshore & Construction business area, which had been experiencing the negative impacts of the challenging market conditions for some time, mainly in drilling equipment in deep-water environments. We are not discontinuing operations but rather consolidating them to be prepared when the recovery starts.

Talent management issues and succession planning form another part of the duties of the Board. When new business area presidents were to be appointed during the year, these could be recruited internally. This was strong confirmation of the Group’s long-term efforts in the area of competence development.

Positive trend. I can see the result of several years’ work to strengthen Trelleborg’s positions in selected segments. Several interacting factors have enabled the Group’s positive trend, ranging from organic growth to customer integration and the use of digital tools. Furthermore, the Group once again has a debt/equity level that, with carefully preparatory work, will enable larger structural transactions moving forward as a complement to Trelleborg’s other work to promote higher value creation.

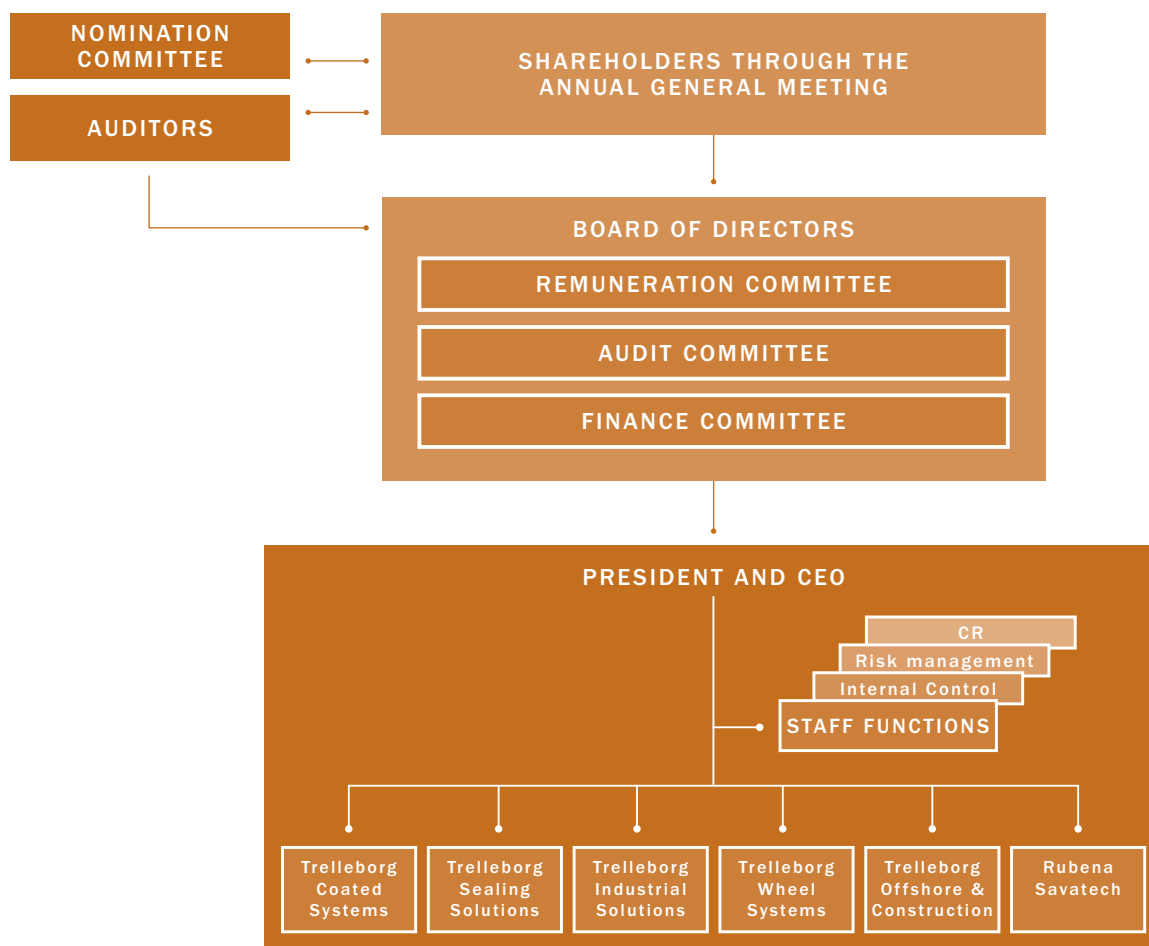
After ten years on the Board and five years as its Chairman, I have explained that I will not be standing for reelection. I have thoroughly enjoyed working for Trelleborg and I would like to express my thanks to the owners for the trust they have shown me. I would also like to thank Trelleborg’s employees for their high degree of commitment, hard work and strong will to change. At the same time, I would like to wish my Board colleagues every success with their work. We have completed an amazing journey together, from the 2008/2009 financial crisis and significant exposure to the automotive industry to growth, structural acquisitions and improved earnings.



Sören Mellstig, Chairman of the Board

CORPORATE GOVERNANCE REPORT 2017

Trelleborg is a publicly traded Swedish limited liability company listed on Nasdaq Stockholm Large Cap. Trelleborg applies the Swedish Corporate Governance Code and presents its 2017 Corporate Governance Report in this section. Trelleborg has no deviations to report.



EXTERNAL POLICY INSTRUMENTS

The external policy instruments that constitute the framework of corporate governance at Trelleborg include:

- The Swedish Companies Act
- The Annual Accounts Act
- Nasdaq Stockholm's rules and regulations
- The Swedish Corporate Governance Code
- Applicable EU regulations

INTERNAL POLICY INSTRUMENTS

The internally binding policy instruments include:

- The Articles of Association
- The rules of procedure for the Board of Directors
- Instructions for the Audit Committee, Remuneration Committee, President and financial reporting to the Board of Directors
- Core values
- The Code of Conduct
- The Treasury Policy
- The Communication Policy
- Other instruments, policy documents, manuals and recommendations

In addition to the above, processes are in place for Enterprise Risk Management (ERM), CR and Internal Control.

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 make 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 toward the company 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.

NOMINATION COMMITTEE

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

✉ Contact the Nomination Committee: valberedningen@trelleborg.com

AUDITORS

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.

✉ Contact the auditor: info.malmo@deloitte.se

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 3 to 10 members, without deputies. Board members are elected annually by the Annual General Meeting for the period until the close of the next Annual General Meeting.

✉ Contact the Board: legal.department@trelleborg.com

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 dialogue with the President and 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.

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.** The Audit Committee represents the Board in matters such as monitoring the processes concerning financial reporting, risk management and internal control and also assists the Nomination Committee with proposals for the election of auditors.

» **Remuneration Committee.** The Remuneration Committee represents the Board in such matters as remuneration and other employment conditions for the President and other senior executives, management succession and succession planning, and leadership development.

» **Finance Committee.** The Finance Committee acts on behalf of the Board, preparing the strategic issues in relation to financing, evaluating the Group's existing and required financing scope as well as potential acquisitions and their impact on the Group.

PRESIDENT AND CEO

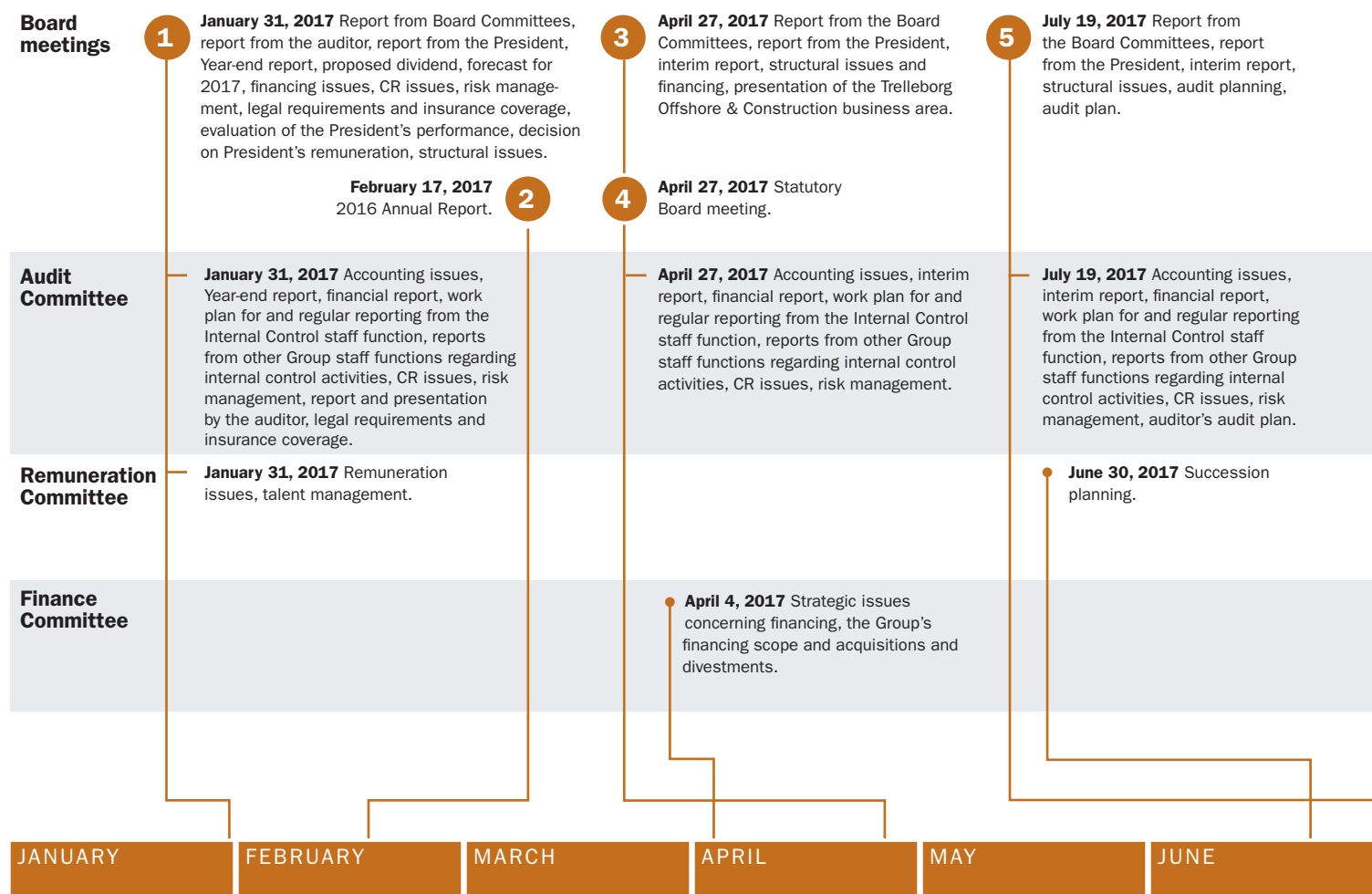
The President and CEO manages the day-to-day administration of Trelleborg. The President is assisted by Group Management comprising presidents of business areas and managers of corporate staff functions.

STAFF FUNCTIONS

Trelleborg has a number of staff functions that support the Group and business areas with Group-wide expertise and duties. Sub-staff functions to mention include:

- » **Internal Control.** 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.
- » **CR.** Group Corporate Communications has coordinating responsibility for CR reporting. Reports are presented to the Audit Committee and to the President and CEO. The daily CR activities take place in the Corporate Responsibility Forum, which is a group comprising representatives from the Communications, Legal, Environment, HR, Purchasing and Finance/Treasury staff functions, and the Manufacturing Excellence Program, as well as out in the operational units.
- » **Risk management.** The Risk Management staff function is responsible for the Group's Enterprise Risk Management (ERM) that provides a framework for the Group's risk activities. The function reports to the Audit Committee and to the Group's General Counsel. Risk management focuses on evaluating identified risks and consolidating priorities in order to manage risk. Group Treasury is responsible for financial risk management activities.

✉ Contact the Group: www.trelleborg.com/en/contact-us



Annual General Meeting 2017

The 2017 Annual General Meeting took place on April 27, 2017, in Trelleborg. At the meeting, 671 shareholders were in attendance, personally or by proxy, representing about 74 percent of votes in Trelleborg. The Chairman of the Board, Sören Mellstig, was elected Chairman of the Meeting. All Board members proposed for re-election, and Group Management, were present at the Annual General Meeting.

The complete minutes and information on the 2017 Annual General Meeting are available at www.trelleborg.com.

The resolutions passed by the Meeting included the following:

- » Dividend of SEK 4.25 per share for the 2016 fiscal year.
- » Re-election of all Board members with the exception of Jan Carlson who declined re-election.
- » Re-election of the Chairman of the Board
- » Election of new auditor.
- » Remuneration for the Board members and the auditor.
- » Principles for remuneration and other employment terms for the President and other senior executives.

For information on shareholders and the Trelleborg share, refer to pages 7–9 and www.trelleborg.com.

Trelleborg's 2018 Annual General Meeting will be held on April 25, 2018 in Trelleborg. For more information, refer to page 135.

Nomination Committee for the 2018 Annual General Meeting

The 2017 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 5 major shareholders, not later than by the end of August, to each appoint one member to the Nomination Committee.

The Nomination Committee also included the Chairman of the Board as a co-opted member.

No payment is made to members of the Nomination Committee.

The Nomination Committee for 2018 held 5 minuted meetings and a large number of non-minuted working meetings up to and including February 16, 2018. As a basis for the Committee's work, the Chairman of the Board presented a report

on the work of the Board, which included an external evaluation of the work and function of the Board.

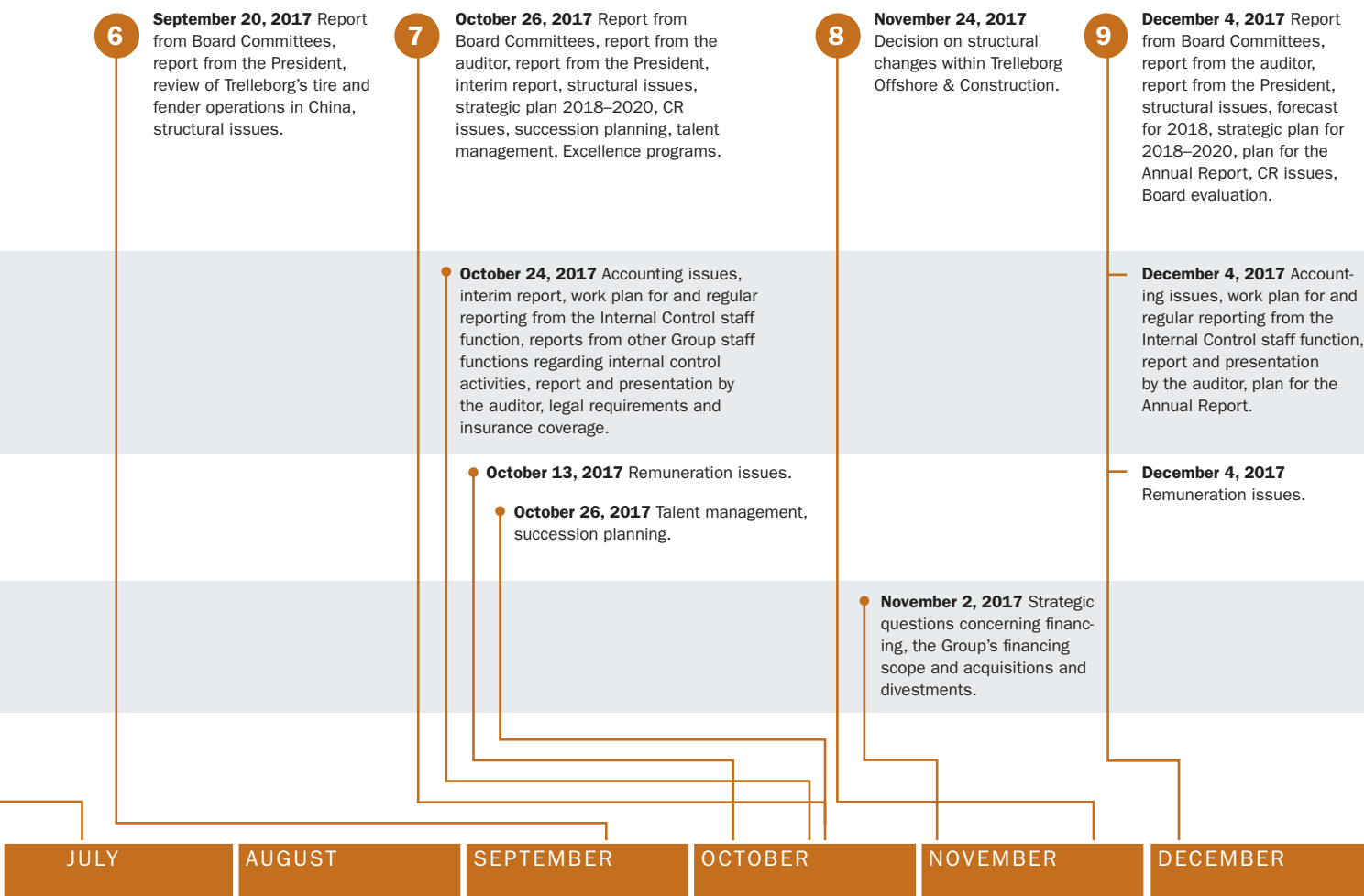
The Nomination Committee's guidelines for the selection of candidates to be nominated to the Board specify that they shall possess knowledge and experience relevant to Trelleborg's operations. The Nomination Committee observes the rules regarding the independence of Board members as well as versatility and breadth, as stated in the Swedish Corporate Governance Code.

The Nomination Committee's proposals to the 2018 Annual General Meeting will be published in the upcoming official notification and on www.trelleborg.com.

Board of Directors 2017

Since the 2017 Annual General Meeting, Trelleborg's Board of Directors has comprised 8 members elected by the Annual General Meeting, including the President and CEO.

Jan Carlson declined re-election in 2017 and a replacement was not proposed. Employees elect 3 representatives and 1 deputy to the Board of Directors. The Group's CFO participates in Board meetings as does the General Counsel, who serves



as the Board's secretary. Other members of Group Management participate in Board meetings when necessary.

For further information on Board members, refer to pages 80–81 and Note 11, page 102.

Work of the Board of Directors

The Board held 9 meetings during the year, including one statutory Board meeting. The Board of Directors is responsible for establishing Trelleborg's overriding targets, developing and following up the overall strategy, deciding on major acquisitions, divestments and investments and continuously monitoring operations. The work of the Board follows an annual plan. Recurring issues at Board meetings include reports from the Board Committees, reports from the CEO, interim reports and structural issues.

Board decisions were unanimous and no conflicting opinions were recorded on any issue decided during the year.

In addition to the Board meetings, a study trip was undertaken to the Group's tire and fender operations in China.

The President presents a report on the operations' performance at scheduled Board meetings. The Board conducts

reviews with the auditor when audit reports are to be considered.

The Audit Committee briefs the Board of Directors on work related to the whistleblower system.

Trelleborg's Board complies with the Swedish Corporate Governance Code's requirements stipulating that the 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.

The Chairman of the Board is responsible for evaluating work on the Board and toward the management. In 2017, an external consultant distributed questionnaires to Board members and, based on their responses and interviews carried out in previous years, analyzed the results. The results were presented and discussed by the Board and Nomination Committee, forming the basis for evaluating the size and composition of the Board. The evaluation focused on the Board activities in general and, to a certain degree, on the contributions made by individual Board members, including the Chairman and

President. Board evaluations carried out in previous years have distinctly influenced the work of the Board and committees.

Board Committees

For the past number of years, the Board has established 3 committees from within its ranks; the Audit, Finance and Remuneration Committees.

Audit Committee. Recurring issues at Audit Committee meetings are accounting issues, interim reports, financial reports, work plans for and regular reporting from the Internal Control staff function, CR issues, risk management, and reports from the auditor.

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.

Remuneration Committee. Recurring issues at Remuneration Committee meetings are remuneration, succession planning and leadership development issues.

Finance Committee. Recurring issues at Finance Committee meetings are the Group's financing, financing scope and acquisitions.

Refer to the illustration on pages 74–75.

Auditor 2017

The Annual General Meeting resolved that the auditing firm Deloitte AB shall be Trelleborg's auditor for a period of one year.

Group Management 2017

At the end of 2017, Group Management comprised 9 individuals. Three new business area presidents were appointed during the year for Trelleborg Industrial Solutions, Trelleborg Sealing Solutions and Trelleborg Wheel Systems, replacing presidents that either retired or left the company. The business area president for Trelleborg Offshore & Construction left his position at year-end 2017 and the President and CEO was appointed acting business area president. For additional information about Group Management, refer to pages 82–83.

In 2017, Group Management held 4 meetings. These meetings focused on the Group's strategic and operational performance and budget follow-up.

Trelleborg's operations are organized

into 5 business areas. The business areas consist of about 20 business units, which in turn comprise approximately 40 product areas. The organization is based on the principle of decentralized responsibility and authority. Each legal unit, which do not necessarily reflect the operating units, has its own Board of Directors that focuses on regulatory compliance, among other aspects.

Sustainability reporting

Trelleborg's separate CR report for 2017 is adapted for sustainability reporting in compliance with Swedish Annual Accounts Act. Refer to the overview on page 63.

Internal culture

Trelleborg applies an approach involving far-reaching decentralized responsibility to drive and implement the Group's strategy. The Group's operating activities are pursued through independent operational units with responsibility for profit, balance sheet and cash flows. Local managers and their coworkers make the commercial decisions, ensure that these are handled correctly and with a balanced approach to risk-taking. As a means of support, the individual business areas regularly follow up the results of their business units' operations, similar to the manner in which Group Management follows up the business areas as part of a well established work process.

Core values

Trelleborg is a global Group characterized by individual and cultural diversity and shared

value systems are therefore particularly important. The core values are long-term commitments, which, when coupled with the Trelleborg's business concept, goals and strategies guide the Group in making decisions and conducting business. These core values make Trelleborg unique and distinguish the Group from its competitors. The core values are:

- » Customer focus: Working in partnership, we aim to add value for our customers, as well as for Trelleborg.
- » Performance: We shall perform better than our competitors.
- » Innovation: We promote an innovative culture and attitude. Innovation is a key driver for our growth.
- » Responsibility: We all share responsibility for our company as a whole and for its results.

Diversity

Trelleborg works to achieve a balanced mix of ethnicities, ages and genders in its operations. The draft for a new diversity policy, which is scheduled to be adopted in the first half of 2018, recognizes that diversity is a strength for the Group. Enhanced diversity and inclusion has the potential to further drive Trelleborg's performance and results, both at team level and individually. Refer to page 58.

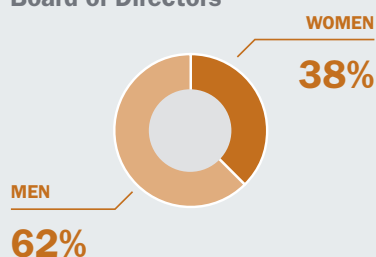


Members of Board Committees at December 31, 2017

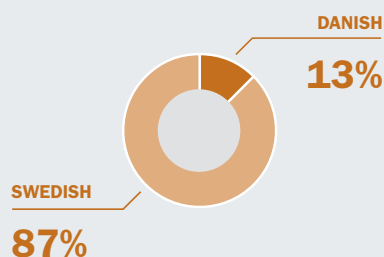
| AUDIT COMMITTEE | REMUNERATION COMMITTEE | FINANCE COMMITTEE |
|--------------------------------|-------------------------------|--------------------------|
| Hans Biörck, Chairman | Sören Mellstig, Chairman | Sören Mellstig, Chairman |
| Gunilla Fransson ¹⁾ | Johan Malmquist ¹⁾ | Johan Malmquist |
| Sören Mellstig | Anne Mette Olesen | Bo Risberg |
| Bo Risberg | | |

¹⁾ Replaced the former Board member Jan Carlson during the year.

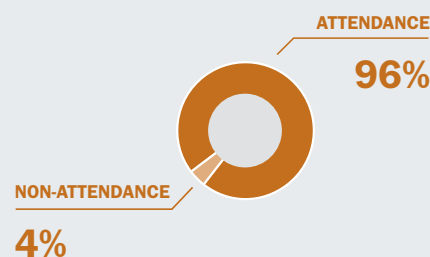
Gender distribution in the Board of Directors ²⁾



Nationality



Board meeting attendance



²⁾ Including the President and CEO.

Nomination Committee for the 2018 Annual General Meeting

| Name/Representing | Share of votes, Aug 31, 2017 | Share of votes, Dec 31, 2017 |
|--|------------------------------|------------------------------|
| Ragnar Lindqvist, Dunker Interests | 54.02% | 54.02% |
| Tomas Risbecker, AMF Insurance & Funds | 2.84% | 2.85% |
| Henrik Didner, Didner & Gerge Funds | 2.75% | 2.88% |
| Olof Jonasson, First AP Fund | 1.66% | 1.63% |
| Peter Lagerlöf, Lannebo Funds | 1.53% | 1.43% |
| Total | 62.80% | 62.81% |

Auditor's remuneration 2017

| SEK M | 2017 | 2016 |
|--|-----------|-----------|
| <i>Deloitte/PricewaterhouseCoopers ¹⁾</i> | | |
| Audit assignment | 24 | 30 |
| Audit activities other than audit assignment | 1 | 3 |
| Tax consultancy services | 1 | 5 |
| Other services | 1 | 13 |
| <i>Other auditors</i> | | |
| Audit assignment | 3 | 2 |
| Audit activities other than audit assignment | 0 | 0 |
| Tax consultancy services | 0 | 1 |
| Other services | 0 | 1 |
| Total | 30 | 55 |

¹⁾ Deloitte AB was appointed the Group's auditor at the 2017 Annual General Meeting. Fees for 2017 relate to Deloitte and fees for 2016 relate to PricewaterhouseCoopers as the Group's appointed auditors.

Auditors 2017



Hans Warén

Authorized Public Accountant, Auditor in Charge

Auditor of the Trelleborg Group since the 2017 Annual General Meeting.

Partner of Deloitte AB since 1998.

Qualifications: Graduate in business administration. Authorized Public Accountant since 1992.

Other assignments: Axfood, Castellum, Gunnebo and Lindab.

Born: 1964.



Maria Ekelund

Authorized Public Accountant

Auditor of the Trelleborg Group since the 2017 Annual General Meeting.

Partner of Deloitte AB since 2008.

Qualifications: Masters degree in business administration.

Authorized Public Accountant since 2002.

Other assignments: Atos Medical, CellaVision, Probi and Xylem.

Born: 1970.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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. The key goals are that internal control is appropriate and effective, provides reliable reports and complies with laws and regulations.

The starting point for the internal control process is the regulatory framework for internal control issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). According to COSO, the review and assessment are conducted in five areas where the control environment creates discipline and provides structure for the other four areas; risk assessment, control structures, information and communication, and monitoring.

Control environment. The control environment provides the basis for the internal control. One important aspect is that decision making, authority and responsibility are clearly defined and communicated between different levels within Trelleborg and that policy instruments, in the form of policies, manuals and recommendations, exist (refer to page 72 for a list of external

and internal policy instruments) and are observed.

The Board of Directors bears overall responsibility for financial reporting where the Audit Committee assists the Board by monitoring, for example, the efficiency of Trelleborg's internal control, internal audit and risk management.

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.

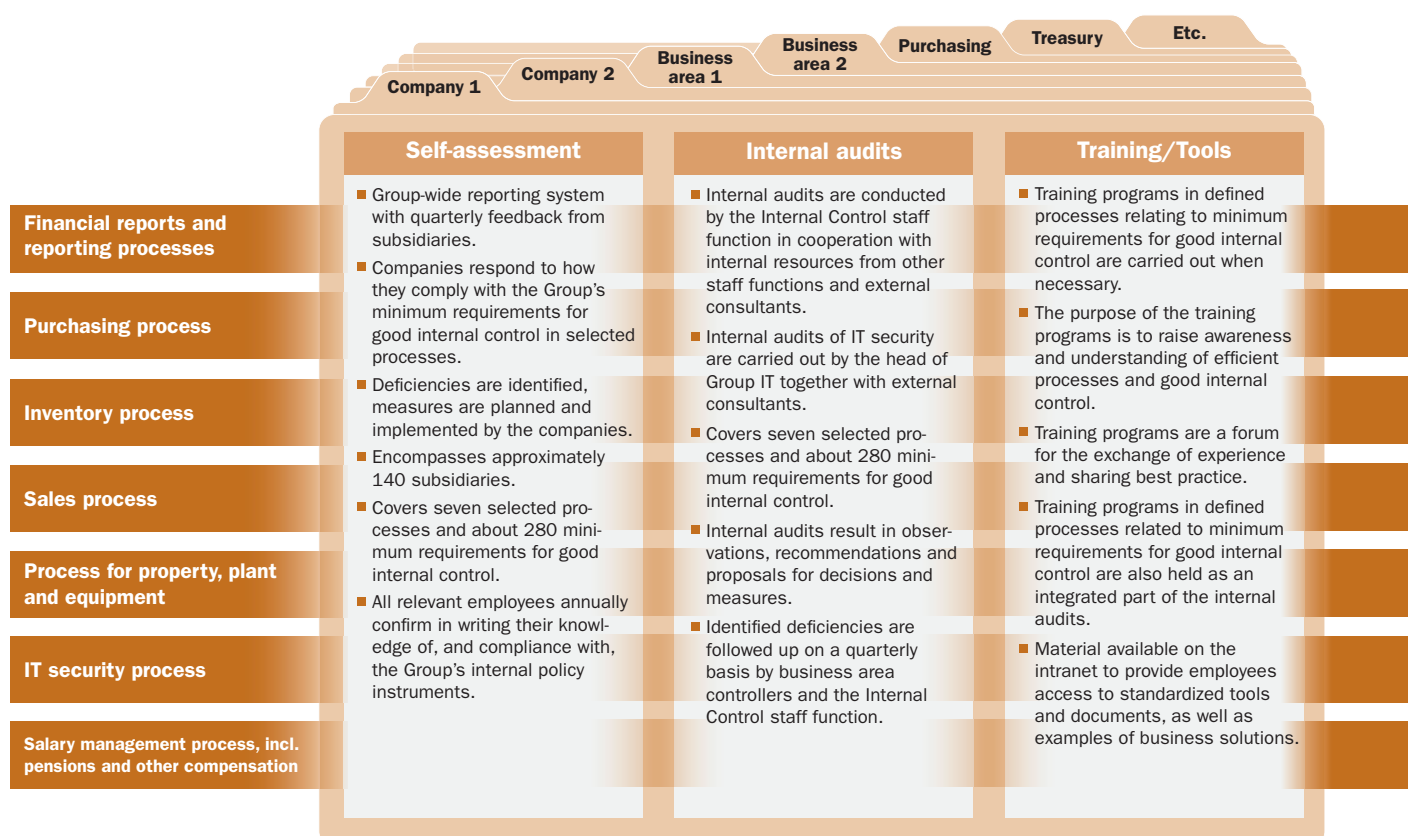
Risk assessment. Risk assessment aims to identify and evaluate the most significant risks, including risk of fraud and risks in connection with significant changes, that affect internal control within the Group.

The 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.

Control activities. The most significant risks are managed through control structures in the Group. Management may entail that these risks are accepted, reduced or eliminated.

INTERNAL CONTROL STRUCTURE OF THE TRELLEBORG GROUP



The control structures aim to ensure efficiency in the Group's processes and good internal control and are based on minimum requirements for good internal control in defined processes. Refer to the illustration on page 78.

Information and communication. The internal policy instruments are available to all relevant employees on Trelleborg's intranet and are generally provided through training. Special campaigns are conducted covering, for example, the Group's whistleblower system. All relevant employees annually confirm in writing their knowledge 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. The minutes of Audit Committee meetings are presented to the Board and the Chairman of the Audit Committee reports on its work.

External financial reporting is performed in accordance with relevant external and internal policy instruments.

Monitoring. Monitoring to ensure the effectiveness of internal control is conducted by the Board, the Audit Committee, the President, Group Management, the Internal Control staff function, Group Finance, Group Treasury and Group Tax as well as the Group's companies and business areas.

Monitoring includes the follow-up of monthly financial reports in relation to 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 Trelleborg'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 within the Group, as well as work programs and budgets.

Activities in 2017. During 2017, the Internal Control staff function conducted 54 internal audits in 22 countries, of which 20 were IT security audits. The emphasis was on Europe 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, finance and legal affairs, or jointly with controllers from various business areas. Internal audits of IT security were carried out by external IT consultants together with the IT Group staff function. In 2017, the Internal Control staff function worked on a broad front with reviews of all processes.

Activities in focus in 2018. The number of internal audits will generally remain at the same level as 2016 and 2017. Geographically speaking, the Internal Control staff function will primarily devote a greater focus to Europe, the U.S and South America. In 2018, the Internal Control staff function will continue to work broadly on reviews of all processes. A small number of combined financial and legal internal audits are planned in cooperation with the Group Legal.

The following information is available at www.trelleborg.com:

- » The Articles of Association
- » The Code of Conduct
- » 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)
- » Information regarding the Nomination Committee
- » Information regarding the principles for remuneration of senior executives
- » Information for the 2018 Annual General Meeting



| Name | Sören Mellstig | Hans Biörck | Gunilla Fransson | Johan Malmquist | Peter Nilsson | Anne Mette Olesen |
|---|--|--|--|---|---|---|
| | Chairman ²⁾ | Member ³⁾ | Member | Member | Member | Member |
| Year elected | 2008, Chairman 2013 | 2009 | 2016 | 2016 | 2006 | 2015 |
| Born | 1951 | 1951 | 1960 | 1961 | 1966 | 1964 |
| Nationality | Swedish | Swedish | Swedish | Swedish | Swedish | Danish |
| Qualifications | Graduate in business administration | Graduate in business administration | Licentiate of Technology | Graduate in business administration | M.Sc. Eng. | MBA and B.Sc. Eng. |
| Other assignments | Chairman of Cellavision AB, Ellevio AB and Impilo AB. Board member of Julin Foundation | Chairman of Skanska AB. Board member of Bure Equity AB, Crescit Asset Management AB and Dunker Interests | Board member of Eltel AB, Nederman AB, Net Insight AB, Enea AB, Permobil AB and ProOpti Sweden AB. President of Novare Peritos | Chairman of Arjo AB and Tingstad Papper AB. Board member of Dunker Interests, Elekta AB, Essity AB, Getinge AB, Mölnlycke Health Care AB, Stena Adactum AB and the Chalmers University of Technology Foundation | Chairman of the Board of Cibes Holding AB. Board member of Trioplast Industrier AB and the Chamber of Commerce and Industry of Southern Sweden, and outgoing Board member of Beijer Alma AB | Board member of EASIS A/S |
| Professional experience | Full-time Board member and/or Chairman. Former President and CEO of Gambro and CFO and Vice President of Incentive | Full-time Board member and/or Chairman. Former CFO of Skanska AB, Autoliv Inc. and Esselte AB | Full-time Board member and/or Chairman. Former various senior positions at Saab AB and Ericsson AB | Full-time Board member and/or Chairman. Former president and CEO of Getinge AB and various senior positions at Electrolux AB | President and CEO and acting Business Area President of Trelleborg Offshore & Construction. Former Business Area President at Trelleborg and posts within the Trelleborg Group, as well as management consultant at BSI | Chief Marketing Officer at AAK AB Previous senior positions at Coloplast A/S, Chr. Hansen A/S and Danisco Ingredients A/S |
| 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 |
| Own and related-party holdings 2017 | 117,809 shares | 5,000 shares | 3,000 shares | 5,000 shares | 90,572 shares and 250,000 call options ⁸⁾ | 2,500 shares |
| Shares in related companies | – | – | – | – | – | – |
| Board meeting attendance | Chairman 9 of 9 | Member 8 of 9 ⁴⁾ | Member 8 of 9 ⁵⁾ | Member 9 of 9 | Member 9 of 9 | Member 9 of 9 |
| Audit Committee attendance | Member 5 of 5 | Chairman 5 of 5 | Member 3 of 5 ⁶⁾ | – | – | – |
| Remuneration Committee attendance | Chairman 5 of 5 | – | – | Member 4 of 5 ⁷⁾ | – | Member 5 of 5 |
| Finance Committee attendance | Chairman 2 of 2 | – | – | Member 2 of 2 | – | – |
| Total reimbursement 2017, SEK 000s ¹⁾ | 1,820 | 725 | 660 | 670 | – | 610 |
| Of which Board, SEK 000s | 1,550 | 550 | 550 | 550 | – | 550 |
| Of which Committee, SEK 000s | 270 | 175 | 110 | 120 | – | 60 |

Board assignments and holdings in Trelleborg as stated above reflect the situation as per December 31, 2017.

¹⁾ Remuneration paid to the Board of Directors for the period May 2017–April 2018. 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 2017 calendar year, remuneration was paid as per Note 11. No consulting fees were paid to the Board members. Remuneration is not paid to executive Board members. Remuneration excludes travel allowances.

²⁾ Sören Mellstig has after ten years on the Board and five years as its Chairman declined re-election to the Board in 2018.

³⁾ Hans Biörck is proposed as Chairman of the Board in 2018.

⁴⁾ Not present at meeting number 7.

⁵⁾ Not present at meeting number 6.

⁶⁾ Gunilla Fransson succeeded the former Board member Jan Carlson on the Audit Committee as of meeting number 3.

⁷⁾ Johan Malmquist succeeded the former Board member Jan Carlson on the Remuneration Committee as of meeting number 2.

⁸⁾ Refer to page 82 for more information about call options.



| Name | Susanne Pahlén Åklundh | Bo Risberg | Göran Andersson | Peter Larsson | Mikael Nilsson | Ingemar Thörn |
|---|---|---|--|---|--|--|
| | Member | Member | Employee representative | Employee representative | Employee representative | Deputy employee representative. |
| Year elected | 2016 | 2010 | 2014 | 2011 | 2009 | 2014 |
| Born | 1960 | 1956 | 1959 | 1965 | 1967 | 1972 |
| Nationality | Swedish | Swedish | Swedish | Swedish | Swedish | Swedish |
| Qualifications | M.Sc. Eng. | MBA and B.Sc. Eng. | Mechanic, training in negotiation skills and labor law | Engineer | Training in labor law, economics and personnel policy | Engineer, training in purchasing and logistics |
| Other assignments | Board member of Alfdex AB | Chairman of Piab Group Holding AB and Valmet Oy. Deputy Chairman of Grundfos Holding A/S. Board member of Stäubli Holding AG | Member of Unions of the Trelleborg Group (LO) | Chairman of Unionen Trelleborg AB. Member of Trelleborg European Works Council and Trelleborg Swedish Works Council (PTK) | Chairman of Trelleborg Swedish Works Council (LO) and Chairman of Trelleborg European Works Council. Board member of Avdelning 52 Hus AB | Deputy Chairman of Unionen Trelleborg AB. Member of Trelleborg Swedish Works Council (PTK) |
| Professional experience | Executive Vice President at Alfa Laval AB. Various management positions at Alfa Laval | Full-time Board member and/or Chairman. Former president and CEO of Hilti Corporation and various management positions at ABB | Mechanic, appointed by the Unions of the Trelleborg Group (LO) | Plant manager, appointed by the Unions of the Trelleborg Group (PTK) | Industrial worker, appointed by the Unions of the Trelleborg Group (LO) | Customer service, appointed by the Unions of the Trelleborg Group (PTK) |
| Dependence | No | No | – | – | – | – |
| Own and related-party holdings 2017 | 2,000 shares | 9,011 shares | – | 3,000 shares | – | – |
| Shares in related companies | – | – | – | – | – | – |
| Board meeting attendance | Member 8 of 9 ⁹⁾ | Member 9 of 9 | Employee representative 9 of 9 | Employee representative 8 of 9 ¹⁰⁾ | Employee representative 9 of 9 | Deputy employee representative 9 of 9 |
| Audit Committee attendance | – | Member 5 of 5 | – | – | – | – |
| Remuneration Committee attendance | – | – | – | – | – | – |
| Finance Committee attendance | – | Member 2 of 2 | – | – | – | – |
| Total reimbursement 2017, SEK 000s ¹⁾ | 550 | 720 | – | – | – | – |
| Of which Board, SEK 000s | 550 | 550 | – | – | – | – |
| Of which Committee, SEK 000s | – | 170 | – | – | – | – |

Board assignments and holdings in Trelleborg as stated above reflect the situation as per December 31, 2017.

¹⁾ Remuneration paid to the Board of Directors for the period May 2017–April 2018. 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 2017 calendar year, remuneration was paid as per Note 11. No consulting fees were paid to the Board members. Remuneration is not paid to executive Board members. Remuneration excludes travel allowances.

⁹⁾ Not present at meeting number 6.

¹⁰⁾ Not present at meeting number 7.



| Name | Peter Nilsson | Ulf Berghult | Dario Porta | Jean-Paul Mindermann ³⁾ | Peter Hahn ⁴⁾ | Paolo Pompei ⁵⁾ |
|--|---|--|--|---|---|--|
| Position | President and CEO and acting Business Area President of Trelleborg Offshore & Construction ¹⁾ | Chief Financial Officer (CFO) | Business Area President, Trelleborg Coated Systems | Business Area President, Trelleborg Industrial Solutions | Business Area President, Trelleborg Sealing Solutions | Business Area President, Trelleborg Wheel Systems |
| Employed | 1995 | 2012 | 2006 | 2011 | 2001 | 1999 |
| In current position since | 2005 | 2012 | 2012 | 2017 | 2018 | 2017 |
| Born | 1966 | 1962 | 1959 | 1965 | 1958 | 1971 |
| Nationality | Swedish | Swedish | Italian | German | U.S./German | Italian |
| Qualifications | M.Sc. Eng. | Graduate in business administration | M.Sc. Eng. | Graduate in business administration | M.Sc. Eng. and graduate in business administration | Graduate in economics and M.Sc. in international trade |
| Other assignments | Chairman of the Board of Cibes Holding AB. Board member of Trioplast Industrier AB and the Chamber of Commerce and Industry of Southern Sweden, and outgoing Board member of Beijer Alma AB | | | President of Contex Holding GmbH and Board member of Herschel Infrared Ltd | | |
| Professional experience | Business Area President at Trelleborg and posts within the Trelleborg Group, as well as management consultant at BSI | CFO of Dometic Group, Thule Group, Rolls-Royce Marine Systems and controller at the Trelleborg Group | Among others Business Unit President at the Trelleborg Group and President of Reeves | Among others Business Unit President at the Trelleborg Group, President of Premia Group, Watts Industrial Tires and other senior management positions | Among others Business Unit President at the Trelleborg Group and various senior positions at 4M Technologies, Leybold and Degussa | Among others Business Unit President at the Trelleborg Group |
| Own and related-party holdings 2017 | 90,572 shares and 250,000 call options ²⁾ | 15,000 shares | 1,000 shares | 2,000 shares | – | – |
| Shares in related companies | – | – | – | – | – | – |

¹⁾ Peter Nilsson is acting Business Area President of Trelleborg Offshore & Construction after Fredrik Mueller, who left Trelleborg at year-end 2017.

²⁾ In February 2016, the principal owner – The Henry Dunker Donation Fund & Foundations – offered the President and CEO 250,000 call options in Trelleborg, with a term of five years. Peter Nilsson purchased these call options at a price of SEK 15.20 per call option. Each call option entitles the holder to purchase one Series B share at a call price of SEK 143.16. The Black & Scholes method was used in the valuation of the call options. The principal owner's intention in introducing the program was to encourage the President and CEO's long-term commitment to the company. Trelleborg AB did not participate in the offer and will not have any expenses in connection with the offer.

³⁾ During the year, Jean-Paul Mindermann replaced Mikael Fryklund, who left Trelleborg to become President and CEO of Hexpol AB (pub).

⁴⁾ Peter Hahn replaced Claus Barsøe on January 1, 2018 at the same time as Claus Barsøe was appointed Executive Vice President of Trelleborg Sealing Solutions.

⁵⁾ During the year, Paolo Pompei replaced Maurizio Vischi, who retired from Trelleborg.



| Name | Paolo Astarita | Charlotta Grähs | Patrik Romberg |
|--|--|---|--|
| Position | Senior Vice President, Group Human Resources | Senior Vice President, Group General Counsel and Secretary | Senior Vice President, Group Communications |
| Employed | 2001 | 2014 | 2006 |
| In current position since | 2015 | 2014 | 2011 |
| Born | 1959 | 1971 | 1966 |
| Nationality | Italian | Swedish | Swedish |
| Qualifications | Graduate in law | Master of Law | MBA and university studies in behavioral science and education |
| Other assignments | | | |
| Professional experience | Vice President Human Resources Trelleborg Wheel Systems and various positions in HR at Pirelli and Manuli Rubber | Group General Counsel at Dometic Group and Senior Corporate Counsel at Husqvarna Group, lawyer at Mannheimer Swartling Advokatbyrå and Hengeler Mueller Rechtsanwälte | Various positions at the Trelleborg Group and Unilever |
| Own and related-party holdings 2017 | 2,340 shares | – | 901 shares |
| Shares in related companies | – | – | – |

Remuneration of Group Management 2017

| SEK 000s | | Fixed salary | Annual variable salary | Long-term incentive program ¹⁾ | Other benefits | Total | Pension | Total including pension |
|--------------------------------------|-------------|---------------|------------------------|---|----------------|---------------|---------------|-------------------------|
| President | 2017 | 10,208 | 6,038 | 6,300 | 180 | 22,726 | 4,121 | 26,847 |
| | 2016 | 9,678 | 6,058 | 6,793 | 180 | 22,709 | 3,959 | 26,668 |
| Group Management, others (9 persons) | 2017 | 30,849 | 10,659 | 13,166 | 1,474 | 56,148 | 10,492 | 66,640 |
| | 2016 | 33,814 | 16,855 | 17,128 | 1,311 | 69,108 | 12,470 | 81,578 |
| Total | 2017 | 41,057 | 16,697 | 19,466 | 1,654 | 78,874 | 14,613 | 93,487 |
| Total | 2016 | 43,492 | 22,913 | 23,921 | 1,491 | 91,817 | 16,429 | 108,246 |

¹⁾ Expensed in 2017. Payment is made in the first quarter, 2018 to 2020, on condition that the individual is employed in the Group on December 31 of the preceding year.

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 is to 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 2017, total remuneration of Group Management amounted to SEK 78,874,000 (91,817,000), excluding pension premiums, and SEK 93,487,000 (108,246,000), including pension premiums.

For additional information concerning remuneration, refer to Note 11, pages 101–102.



→ In addition to delivering solutions to the existing solar panel market, Trelleborg is involved in the development of future chemistry-based solar technologies. The panels contain nontoxic chemical material components and require a tight seal obtained by a special compound used in the battery industry. These aesthetic solar panels are expected to be commercially viable within six or seven years.

COMMENTS ON THE CONSOLIDATED INCOME STATEMENTS

Underlying organic sales growth and a positive impact from acquired units drove the increase in consolidated net sales during the year. The market trend was positive in most segments served by Group. The market situation improved in general industry in most geographic markets. The agricultural sector and the automotive industry generally performed well. In oil & gas, the market conditions were challenging, a situation that was partially offset through proactive cost adjustments. Net sales and EBIT reached the highest levels to date on a full-year basis. Work aimed at focusing the operations and increasing presence in attractive market segments is continuing, primarily on the basis of organic initiatives, but the contribution from acquired operations was also significant in 2017. Overall, the integration of the in 2016 acquired CGS units developed in a satisfactory manner during the year.

Net sales

The Group's sales increased 16 percent during the year to SEK 31,581 M (27,145). Organic sales rose 4 percent, or about SEK 935 M. The effects of structural changes were 12 percent, or about SEK 3,360 M, with the acquisition of CGS Holding accounting for the largest sales increase. Exchange rate effects upon translation of sales in 2016 to the exchange rates applying for 2017 amounted to approximately SEK 140 M, a marginal percentage change. The organic sales trend for the year was positive for the Trelleborg Industrial Solutions, Trelleborg Sealing Solutions and Trelleborg Wheel Systems business areas. However, organic sales growth for the Trelleborg Coated Systems and Trelleborg Offshore & Construction business areas was negative.

The share of Group sales attributable to capital-intensive industry increased to 55 percent (54), the share linked to general industry declined to 34 percent (36) while the share of sales to the light vehicles segment increased to 11 percent (10). In addition to the effect of acquisitions, fluctuating market conditions also influenced the distribution between market segments. Sales within capital-intensive industry related to offshore oil & gas were heavily impacted by the lower oil price.

For Trelleborg Coated Systems, organic sales declined by 3 percent compared with the preceding year. Sales of coated fabrics declined during the year. North America contributed with a positive organic performance, although this could not fully compensate for lower sales in Europe and Asia. Organic sales of printing blankets decreased during the year, with a stable trend noted in Asia in parallel with a weaker performance in the regions.

The Trelleborg Industrial Solutions business area conducts operations in several of the Group's market segments. Organic sales for the full year increased 5 percent compared with the preceding year. Most geographic markets reported positive organic sales. Structural growth contributed 9 percent in total.

Organic sales in the Trelleborg Offshore & Construction business area declined by 12 percent compared with the preceding year, primarily influenced by the subdued market situation in oil & gas. Market activity in offshore oil & gas increased somewhat in the latter part of the year. However, the order book for this part of the business area remained low at year end.

For the Trelleborg Sealing Solutions business area, organic sales increased by 8 percent compared with the preceding year.

All geographic regions displayed a positive organic trend, with sales increasing to general industry and the automotive and aerospace industries. The strongest organic growth was noted in Asia, where particularly favorable sales to general industry made a positive contribution. Structural growth contributed 6 percent in total.

For the Trelleborg Wheel Systems business area, organic sales increased by 12 percent compared with the preceding year. The organic sales trend for tires for agricultural machinery, material handling vehicles and construction machinery developed well, with the improvement gaining momentum during the year. Structural growth contributed 30 percent in total, mainly attributable to the CGS acquisition.

Rubena and Savatech, which were included in the CGS acquisition in 2016, reported stable sales during the year. Demand for niche products to general industry was favorable at the same time as the volume of publicly procured projects was somewhat muted. Work to integrate Rubena and Savatech in the Trelleborg Industrial Solutions and Trelleborg Coated Systems business areas is continuing according to plan. Rubena Savatech will be integrated in the aforementioned business areas as of 2018. In preparation for this integration, an investment project is ongoing aimed at boosting manufacturing capacity in addition to other efficiency-enhancement measures.

Sales reported under Group items largely relate to the Group's joint compound mixing units. Due to the divestment of the major unit in Lesina, in the Czech Republic, in the first quarter of the year, sales recognized under Group items decreased from SEK 339 M to SEK 21 M.

Net sales per market

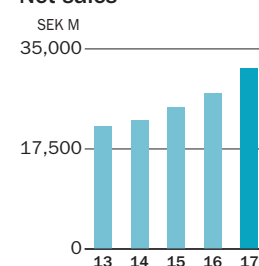
The organic sales trend, excluding deliveries to project operations, increased by 7 percent overall for the Group. In Western Europe, organic sales increased by 6 percent compared with the preceding year. The increase was general across the region, but in Trelleborg's key markets of Germany, France, the U.K., Sweden and Italy the development was positive. A positive trend was noted in the Czech Republic, Poland and Russia. The increase for the rest of Europe was 12 percent in total. Organic sales in the U.S. rose by 8 percent, while sales in the Canadian market declined somewhat. Sales in Brazil increased 11 percent and the performance in Mexico was also positive, up 6 percent.

Page 87 cont.

Net sales by business area

| SEK M | 2017 | 2016 | Organic sales, % | Structural changes, % | Exchange rate fluctuations, % | Total change, % |
|------------------------------------|---------------|---------------|------------------|-----------------------|-------------------------------|-----------------|
| Trelleborg Coated Systems | 2,476 | 2,526 | -3 | - | 1 | -2 |
| Trelleborg Industrial Solutions | 5,573 | 4,924 | 5 | 9 | -1 | 13 |
| Trelleborg Offshore & Construction | 3,014 | 3,467 | -12 | - | -1 | -13 |
| Trelleborg Sealing Solutions | 9,956 | 8,771 | 8 | 6 | 0 | 14 |
| Trelleborg Wheel Systems | 8,878 | 6,354 | 12 | 30 | -2 | 40 |
| Rubena Savatech | 1,933 | 1,063 | - | 79 | 3 | 82 |
| Group items | 203 | 472 | | | | |
| Eliminations | -452 | -432 | | | | |
| Total | 31,581 | 27,145 | 4 | 12 | 0 | 16 |

Net sales



Consolidated income statements

| SEK M | Note | 2017 | 2016 |
|--|----------|---------------|---------------|
| Net sales | 2 | 31,581 | 27,145 |
| Cost of goods sold | | -21,398 | -18,079 |
| Gross profit | | 10,183 | 9,066 |
| Selling expenses | | -2,556 | -2,302 |
| Administrative expenses | | -3,109 | -2,955 |
| Research & development costs | | -516 | -433 |
| Other operating income | 6 | 641 | 589 |
| Other operating expenses | 6 | -562 | -478 |
| Share of profit or loss in associated companies | 13 | 10 | 9 |
| EBIT, excluding items affecting comparability | | 4,091 | 3,496 |
| Items affecting comparability | 5 | -69 | -391 |
| EBIT | 4, 7, 11 | 4,022 | 3,105 |
| Financial income | 8 | 130 | 68 |
| Financial expenses | 8 | -360 | -277 |
| Profit before tax | | 3,792 | 2,896 |
| Income tax | 10 | -918 | -680 |
| Net profit in continuing operations | | 2,874 | 2,216 |
| Net profit in discontinuing operations ¹⁾ | 9 | - | 4,369 |
| Net profit | | 2,874 | 6,585 |
| - shareholders of the Parent Company | | 2,874 | 6,585 |
| - non-controlling interests | | - | - |
| ¹⁾ Pertains to Vibracoustic. | | | |
| Earnings per share ²⁾, SEK | | | |
| Continuing operations | | 10.60 | 8.18 |
| Discontinuing operations | | 0.00 | 16.12 |
| Group, total | | 10.60 | 24.30 |
| Continuing operations, excluding items affecting comparability ³⁾ | | 10.82 | 9.23 |
| No. of shares | | | |
| On the balance sheet date | | 271,071,783 | 271,071,783 |
| Average | | 271,071,783 | 271,071,783 |
| Dividend ⁴⁾ | | 4.50 | 4.25 |
| ²⁾ No dilution effects arose. | | | |
| ³⁾ In calculations of earnings per share for full-year 2017, net profit was adjusted by SEK -60 M, which refers to items affecting comparability after tax and a non-recurring expense attributable to the US Tax Reform. | | | |
| | | -60 | -287 |
| ⁴⁾ According to Board's proposal. | | | |

Statements of comprehensive income

| SEK M | 2017 | 2016 |
|--|--------------|--------------|
| Net profit | 2,874 | 6,585 |
| Other comprehensive income | | |
| Items that will not be reclassified to the income statement | | |
| Reassessment of net pension obligation | 38 | -61 |
| Income tax relating to components of other comprehensive income | -15 | 15 |
| | 23 | -46 |
| Items that may be reclassified to the income statement | | |
| Cash-flow hedging ⁵⁾ | 75 | 165 |
| Hedging of net investment | -15 | -502 |
| Translation differences | 282 | 1,552 |
| Income tax relating to components of other comprehensive income | -5 | 99 |
| Other comprehensive income attributable to divested/discontinuing operations | -3 | -254 |
| | 334 | 1,060 |
| Other comprehensive income, net of tax | 357 | 1,014 |
| Total comprehensive income | 3,231 | 7,599 |
| Total comprehensive income attributable to: | | |
| Shareholders of the Parent Company | 3,231 | 7,599 |
| Non-controlling interests | - | - |

⁵⁾ See also Note 27.

The total increase for South and Central America was 8 percent. In Asia and other markets, organic sales increased by about 10 percent compared with 2016, with development in China being particularly positive and posting an organic sales increase of 18 percent.

For the Group as a whole, western Europe accounted for 47 percent (47) of consolidated sales. In the Rest of Europe, the share was 11 percent (9). The share in North America was 22 percent (23). South and Central America accounted for 4 percent (4), while the combined share for the markets in Asia and the Rest of the world was 16 percent (17).

Net sales per geographic market

| SEK M | 2017 | | 2016 | |
|----------------------------|---------------|-------------------------|---------------|-------------------------|
| | Net sales | Share of total sales, % | Net sales | Share of total sales, % |
| Western Europe | 14,896 | 47 | 12,714 | 47 |
| Rest of Europe | 3,343 | 11 | 2,571 | 9 |
| North America | 7,115 | 22 | 6,212 | 23 |
| South and Central America | 1,118 | 4 | 1,039 | 4 |
| Asia and Rest of the world | 5,109 | 16 | 4,609 | 17 |
| Total | 31,581 | 100 | 27,145 | 100 |

Organic growth 2017

| | Organic growth 2017, % | Excluding project deliveries ¹⁾ , % |
|------------------------------|------------------------|--|
| Western Europe | 2 | 6 |
| Rest of Europe | 9 | 12 |
| North America | 4 | 7 |
| South and Central America | -3 | 8 |
| Asia and Rest of the world | 8 | 10 |
| Continuing operations | 4 | 7 |

¹⁾ Project deliveries refer to the whole of Trelleborg Offshore & Construction and Trelleborg Industrial Solutions' marine hose operations for oil & gas applications.

EBITA and EBIT, continuing operations

Consolidated EBITA, excluding items affecting comparability, amounted to SEK 4,385 M (3,700), up 19 percent. EBITA margin was 13.9 percent (13.6). Amortization of intangible assets increased during the year to an expense of SEK 294 M (expense: 203), affected by the full impact of acquisitions during the year.

Consolidated EBIT, excluding items affecting comparability, amounted to SEK 4,091 M (3,496), up 17 percent. The improved earnings were largely a consequence of contributions from the acquired units, although continued high efficiency, cost control and strong market positions also had a positive impact. Despite proactive cost adjustments, the challenging market conditions in the oil & gas segment had a negative impact on earnings. The efficiency enhancement efforts that have been ongoing for many years via the Group's clearly defined excellence programs in manufacturing, purchasing, capital management and sales continued during the year. Both implemented and ongoing action programs continued to generate positive effects in the form of more efficient structures and lower costs. The impact of exchange rate effects – the translation of the earnings of foreign subsidiaries in 2016 to the exchange rate applying in 2017 – was marginal and amounted to SEK 2 M. The EBIT margin was 13.0 percent (12.9).

EBIT

| SEK M | 2017 | 2016 |
|------------------------------------|--------------|--------------|
| Trelleborg Coated Systems | 260 | 323 |
| Trelleborg Industrial Solutions | 631 | 525 |
| Trelleborg Offshore & Construction | -56 | 108 |
| Trelleborg Sealing Solutions | 2,231 | 1,919 |
| Trelleborg Wheel Systems | 1,016 | 720 |
| Rubena Savatech | 166 | 112 |
| Group items | -157 | -211 |
| Total | 4,091 | 3,496 |

EBIT and the EBIT margin for the Trelleborg Coated Systems business area declined year on year, mainly due to production disruptions at the beginning of the year and waning volumes. Measures to further profitability are continuing according to plan. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 5 M on EBIT compared with 2016. EBIT margin declined to 10.5 percent (12.8).

For Trelleborg Industrial Solutions, EBIT and the EBIT margin increased compared with the preceding year, due primarily to higher volumes, acquisitions and effects of completed restructuring measures. Exchange rate effects

from the translation of foreign subsidiaries had a negative impact of SEK 2 M on EBIT compared with 2016. EBIT margin rose to 11.3 percent (10.7).

For the Trelleborg Offshore & Construction business area, EBIT and the EBIT margin declined year on year, mainly as a result of lower project deliveries in oil & gas but also due to lower sales in certain niches in infrastructure. Work to adapt the organization to lower market activity was ongoing during the year and is continuing in 2018 and included the gradual closure of a plant in the U.S. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 8 M on EBIT compared with the year-earlier period. The EBIT margin declined to a negative 1.9 percent (pos: 3.1).

EBIT for Trelleborg Sealing Solutions rose primarily as a result of higher volumes, acquisitions and effective cost control. The EBIT margin was maintained at a high level throughout the year, despite a certain impact from implemented acquisitions with lower margins. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 9 M on EBIT compared with 2016. The EBIT margin rose to 22.4 percent (21.9).

EBIT for Trelleborg Wheel Systems rose sharply, mainly due to implemented acquisitions and higher volumes. The EBIT margin increased to SEK 11.4 percent (11.3) year on year, with a sharp increase in raw material prices in the first six months of the year resulting in significant temporary additional costs. Integration activities with acquired units continued according to schedule, impacting earnings with costs related to these measures. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 2 M on EBIT compared with 2016.

For Rubena Savatech, EBIT increased as a result of the acquisitions completed in 2016 being included with full effect in 2017. However, the EBIT margin was affected by the sharp movements in raw material prices during some parts of the year and as a result of staff shortages in areas of the business units. Capacity utilization for most product lines remained at a high level. A number of investment projects aimed at increasing manufacturing capacity for selected niche products are ongoing and will gradually enable increased growth and profitability. EBIT and the EBIT margin were also charged with costs associated with preparations ahead of the consolidation with the Trelleborg Industrial Solutions and Trelleborg Coated Systems business areas, which will take place as of 2018. Exchange rate effects from the translation of foreign subsidiaries had a positive impact of SEK 2 M on EBIT compared with 2016. The EBIT margin was 8.6 percent (10.5).

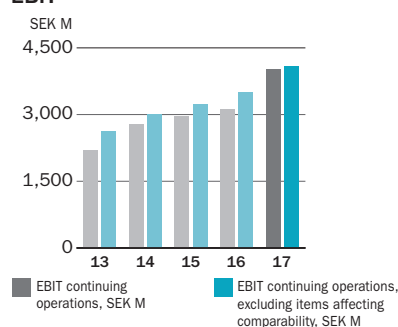
Items affecting comparability

Items affecting comparability amounted to a net expense of SEK 69 M (expense: 391). The amount includes restructuring costs of a negative SEK 1,008 M, the capital gain from the divestment of the compounding operation in Lesina, in the Czech Republic, of SEK 472 M and a positive earnings effect from an additional purchase payment of SEK 467 M related to the divestment of Vibracoustic. The largest restructuring project relates to closure of the Brazilian unit for the manufacture of marine hoses, where operations are being relocated to France, and the decision to gradually discontinue the U.S. plant for the manufacture of subsea buoys for drilling equipment in deep-water environments. The production equipment will be transferred and consolidated with Group's operations in England.

During the first quarter of 2017, the divestment of the compounding operation in Lesina, the Czech Republic, was finalized with a capital gain of SEK 472 M. The operations were previously recognized as part of Group items in financial reporting. The business developed, produced and supplied polymer compounds. Sales were mainly external with a minor share to a small number of Trelleborg units in Europe. The divested operation had annual external sales of approximately SEK 300 M in 2016.

Items affecting comparability also includes the effect of the final part payment of SEK 689 M related to the divestment in summer 2016 of Trelleborg's stake in the joint venture Vibracoustic, which will be received in the second quarter of 2018. This part payment was previously recognized as a receivable amounting to SEK 222 M, which is why the surplus amount generates a positive earnings effect of SEK 467 M, reported as an item affecting comparability. The total purchase price for Trelleborg's 50-percent stake in

EBIT



Vibracoustic therefore amounts to approximately SEK 7.4 billion, representing a higher purchase price than originally estimated, and is the result of a favorable sales trend for Vibracoustic during 2016-2017. Trelleborg received a dividend from Vibracoustic of about SEK 1.4 billion in December 2015.

Earnings, continuing operations

EBIT for continuing operations including items affecting comparability amounted to SEK 4,022 M (3,105), up 30 percent. The Group's financial income and expenses amounted to a net expense of SEK 230 M (expense: 209), corresponding to a rate of interest of 2.1 percent (2.0). Profit before tax totaled SEK 3,792 M (2,896). The tax cost for the year totaled SEK 918 M (cost: 680). A new tax reform was passed in the U.S. at the end of 2017. The reform entails major changes to U.S. corporate tax. These include a reduction in the tax rate to 21 percent and the introduction of a mandatory tax on undistributed foreign earnings as of December 31, 2017. On the basis of the new regulations and available information, the Trelleborg Group estimates that the implementation of the tax legislation will lead to a negative non-recurring effect in the income statement of about SEK 129 M, which was charged to the fourth quarter of 2017. The negative amount is related to the taxation of undistributed foreign earnings, which was partially offset by a positive effect due to the remeasurement of existing U.S. deferred tax liabilities. The tax rate for the Group was 24 percent (23). Earnings per share for continuing operations were SEK 10.60 (8.18), an increase of 30 percent.

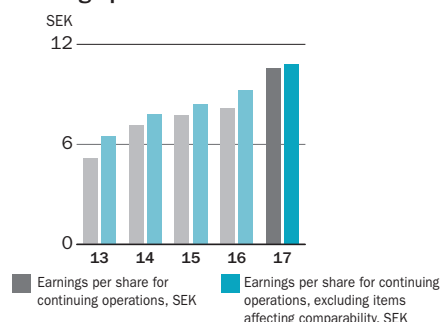
Earnings, Group

Profit after tax totaled SEK 2,874 M (6,585); the preceding year included the capital gain on the divestment of the Vibracoustic joint venture. Earnings per share were SEK 10.60 (24.30).

Significant events after the close of the period

The Trelleborg Coated Systems business area signed an agreement and finalized the acquisition of the privately owned U.K. company Dartex Holdings Ltd. The company is specialized in the manufacture of coated fabrics primarily for the healthcare & medical industry and is a world leader in coated fabrics for pressure injury prevention. The acquisition broadens Trelleborg's offering and strengthens the Group's position as a premium supplier of engineered coated fabrics. Dartex has its head office and a production facility in Long Eaton, England. It has another production facility in North Smithfield, Rhode Island, U.S. Sales amount to approximately SEK 135 M on an annual basis. This bolt-on acquisition is part of Trelleborg's strategy to strengthen its positions in attractive market segments.

Earnings per share



Key figures per quarter

Net sales

| SEK M | Jan-Mar | | Apr-Jun | | Jul-Sep | | Oct-Dec | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Trelleborg Coated Systems | 674 | 631 | 644 | 628 | 565 | 596 | 593 | 671 |
| Trelleborg Industrial Solutions | 1,428 | 1,209 | 1,468 | 1,250 | 1,290 | 1,139 | 1,387 | 1,326 |
| Trelleborg Offshore & Construction | 754 | 902 | 775 | 835 | 698 | 837 | 787 | 893 |
| Trelleborg Sealing Solutions | 2,623 | 2,184 | 2,596 | 2,176 | 2,388 | 2,195 | 2,349 | 2,216 |
| Trelleborg Wheel Systems | 2,328 | 1,144 | 2,360 | 1,472 | 1,992 | 1,855 | 2,198 | 1,883 |
| Rubena Savatech | 497 | - | 520 | 166 | 446 | 450 | 470 | 447 |
| Group items | 132 | 123 | 27 | 123 | 22 | 107 | 22 | 119 |
| Eliminations | -138 | -98 | -125 | -106 | -91 | -107 | -98 | -121 |
| Total | 8,298 | 6,095 | 8,265 | 6,544 | 7,310 | 7,072 | 7,708 | 7,434 |

EBIT, excluding items affecting comparability

| SEK M | Jan-Mar | | Apr-Jun | | Jul-Sep | | Oct-Dec | |
|------------------------------------|--------------|------------|--------------|------------|------------|------------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Trelleborg Coated Systems | 72 | 76 | 69 | 86 | 58 | 74 | 61 | 87 |
| Trelleborg Industrial Solutions | 160 | 118 | 168 | 143 | 128 | 111 | 175 | 153 |
| Trelleborg Offshore & Construction | 3 | 23 | -19 | 26 | -29 | 42 | -11 | 17 |
| Trelleborg Sealing Solutions | 618 | 501 | 611 | 512 | 533 | 470 | 469 | 436 |
| Trelleborg Wheel Systems | 283 | 156 | 278 | 186 | 215 | 204 | 240 | 174 |
| Rubena Savatech | 61 | - | 48 | 26 | 33 | 55 | 24 | 31 |
| Group items | -43 | -33 | -66 | -80 | -18 | -41 | -30 | -57 |
| Total | 1,154 | 841 | 1,089 | 899 | 920 | 915 | 928 | 841 |

COMMENTS ON THE CONSOLIDATED BALANCE SHEETS

Capital employed

The Group's total capital employed was SEK 37,256 M (37,588), representing a decrease of SEK 332 M attributable to:

| Opening balance, capital employed, SEK M | 37,588 |
|--|---------------|
| Company acquisitions | 232 |
| Divested operations ¹⁾ | -202 |
| Change in working capital | -25 |
| Net change in non-current assets | -317 |
| Change in participations in associated companies | -11 |
| Exchange rate effects upon translation of foreign subsidiaries | -9 |
| Change in capital employed, 2017 | -332 |
| Closing balance, capital employed, SEK M | 37,256 |

¹⁾ Relates to the divestment of the compounding operation in Lesina, the Czech Republic.

During the year, acquired operations accounted for an increase in capital employed of SEK 232 M, of which SEK 198 M pertained to goodwill and other intangible assets. For a summary of acquisitions for the year, see the table on page 31 and Note 15. Divested operations that primarily relate to the sale of the compounding operation in Lesina, the Czech Republic, reduced capital employed by SEK 202 M.

The total impact from changes in working capital was marginal and amounted to a negative SEK 25 M.

Non-current assets, excluding the effect of acquired units, declined by a net SEK 317 M. Gross capital expenditure amounted to SEK 1,437 M (1,148). Investments for the year are distributed as follows: SEK 1,343 M in property, plant and equipment and SEK 94 M in intangible assets. Depreciation and amortization during the year amounted to SEK 1,284 M (1,071). Impairment losses for the Group, net after reversals, totaled SEK 436 M (123), where impairment losses on goodwill in 2017 in the Trelleborg Offshore & Construction business area amounted to SEK 353 M. Participations in associated companies declined by SEK 11 M.

Exchange rate effects reduced capital employed by SEK 9 M net during the year.

Specification of capital employed

| SEK M | 2017 | 2016 |
|--|---------------|---------------|
| Total assets | 48,612 | 48,354 |
| Less: | | |
| Interest-bearing receivables ¹⁾ | 877 | 1,137 |
| Cash and cash equivalents | 1,994 | 1,879 |
| Tax assets | 1,609 | 1,570 |
| Operating liabilities | 6,876 | 6,180 |
| Capital employed, Group | 37,256 | 37,588 |
| of which discontinuing operations | -75 | -82 |
| Capital employed, continuing operations | 37,331 | 37,670 |

¹⁾ Including receivable linked to divestment of Vibracoustic.

Return on capital employed for continuing operations, excluding items affecting comparability, was 10.8 percent (11.3).

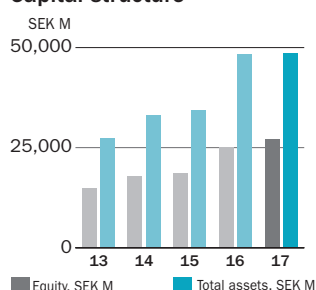
Return on capital employed (ROCE), %

| | 2017 | 2016 |
|---|------|------|
| Excluding items affecting comparability | 10.8 | 11.3 |
| Including items affecting comparability | 10.6 | 10.0 |

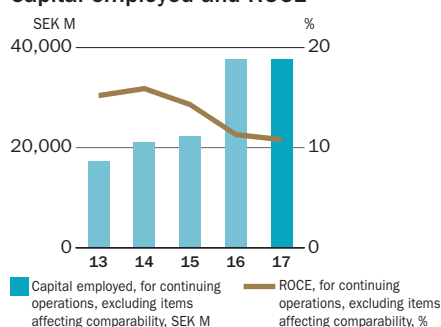
Net debt and financing

At year-end, net debt amounted to SEK 9,593 M (12,125), down SEK 2,532 M as a result of a positive net cash flow of SEK 1,705 M, positive exchange rate differences of SEK 360 M and effects of SEK 467 M from the recognition of an additional receivable related to the final part payment for the divestment of Trelleborg's stake in the joint venture Vibracoustic. Payment will be received in the second quarter of 2018.

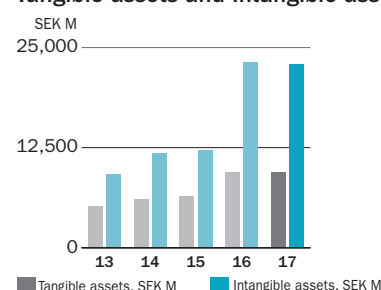
Capital structure



Capital employed and ROCE



Tangible assets and Intangible assets



Consolidated balance sheets

| December 31, SEK M | Note | 2017 | 2016 |
|---|------------|---------------|---------------|
| ASSETS | | | |
| <i>Non-current assets</i> | | | |
| Property, plant and equipment | 16 | 9,444 | 9,435 |
| Goodwill | 17 | 18,127 | 18,185 |
| Other intangible assets | 17 | 4,843 | 5,018 |
| Share of profit or loss in associated companies | 13 | 76 | 87 |
| Financial non-current assets | 14, 25, 29 | 57 | 408 |
| Deferred tax assets | 10 | 718 | 794 |
| Total non-current assets | | 33,265 | 33,927 |
| <i>Current assets</i> | | | |
| Inventories | 18 | 5,383 | 5,060 |
| Current operating receivables | 19, 20 | 6,235 | 5,934 |
| Current tax assets | | 891 | 776 |
| Interest-bearing receivables | 26 | 844 | 778 |
| Cash and cash equivalents | 24 | 1,994 | 1,879 |
| Total current assets | | 15,347 | 14,427 |
| TOTAL ASSETS | | 48,612 | 48,354 |
| EQUITY AND LIABILITIES | | | |
| <i>Equity</i> | | | |
| Share capital | 27 | 2,620 | 2,620 |
| Other capital contributions | | 226 | 226 |
| Other reserves | | 1,224 | 887 |
| Profit brought forward | | 20,272 | 14,819 |
| Net profit for the year | | 2,874 | 6,585 |
| Total | | 27,216 | 25,137 |
| Non-controlling interests | | – | – |
| Total equity | | 27,216 | 25,137 |
| <i>Non-current liabilities</i> | | | |
| Interest-bearing non-current liabilities | 28 | 8,097 | 9,852 |
| Other non-current liabilities | 22 | 111 | 141 |
| Pension obligations | 12 | 570 | 681 |
| Other provisions | 23 | 228 | 221 |
| Deferred tax liabilities | 10 | 791 | 789 |
| Total non-current liabilities | | 9,797 | 11,684 |
| <i>Current liabilities</i> | | | |
| Interest-bearing current liabilities | 28 | 4,337 | 5,282 |
| Current tax liabilities | | 1,134 | 920 |
| Other current liabilities | 21, 22 | 5,699 | 4,997 |
| Other provisions | 23 | 429 | 334 |
| Total current liabilities | | 11,599 | 11,533 |
| TOTAL EQUITY AND LIABILITIES | | 48,612 | 48,354 |

Trelleborg Group, change in total equity

| Equity | | | | | | | | | Non-controlling interests | | Total | |
|------------------------------|--|-------|-----------------------------|------|----------------|-------|------------------------|--------|---------------------------|------|--------|--------|
| | Attributable to shareholders of the Parent Company | | | | | | | | | | | |
| | Share capital | | Other capital contributions | | Other reserves | | Profit brought forward | | | | | |
| SEK M | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Opening balance, January 1 | 2,620 | 2,620 | 226 | 226 | 887 | −427 | 21,404 | 16,203 | − | − | 25,137 | 18,622 |
| Net profit for the year | | | | | | | 2,874 | 6,585 | | | 2,874 | 6,585 |
| Other comprehensive income | | | | | 337 | 1,314 | 20 | −300 | − | − | 357 | 1,014 |
| Dividend | | | | | | | −1,152 | −1,084 | − | − | −1,152 | −1,084 |
| Acquisitions | | | | | | | − | 0 | − | − | − | − |
| Closing balance, December 31 | 2,620 | 2,620 | 226 | 226 | 1,224 | 887 | 23,146 | 21,404 | − | − | 27,216 | 25,137 |

For other reserves, refer to Note 27.

The Board of Directors proposes a cash dividend of SEK 4.50 per share (4.25), a total of SEK 1,220 M (1,152).

Net debt

| SEK M | 2017 | 2016 |
|---|----------------|----------------|
| Non-current interest-bearing investments and receivables | 3 | 352 |
| Current interest-bearing receivables | 844 | 778 |
| Cash and cash equivalents | 1,994 | 1,879 |
| Total interest-bearing assets | 2,841 | 3,009 |
| Interest-bearing non-current liabilities | -8,097 | -9,852 |
| Interest-bearing current liabilities | -4,337 | -5,282 |
| Total interest-bearing liabilities | -12,434 | -15,134 |
| Net debt | -9,593 | -12,125 |
| <i>Change in net debt:</i> | | |
| Net debt at January 1 | -12,125 | -6,282 |
| Net cash flow for the year | 1,705 | -5,931 |
| Receivables linked to divestment of Vibracoustic. | 467 | 685 |
| Exchange rate differences | 360 | -597 |
| Net debt at year-end | -9,593 | -12,125 |
| Group | | |
| Debt/equity ratio, % | 35 | 48 |
| Net debt/EBITDA, multiples | 1.7 | 1.4 |
| EBITDA/net interest income, multiples | 23.6 | 40.1 |
| <i>Continuing operations, including items affecting comparability</i> | | |
| Net debt/EBITDA, multiples | 1.7 | 2.9 |
| EBITDA/net interest income, multiples | 23.6 | 19.7 |

The equity/assets ratio was 35 percent (48) at the end of the period.

Net debt in relation to EBITDA for continuing operations, including items affecting comparability, was 1.7 (2.9). For the Group as a whole, the ratio was 1.7 (1.4). The EBITDA/net interest income ratio for continuing operations including items affecting comparability was 23.6 (19.7) at year-end.

Trelleborg's credit facilities

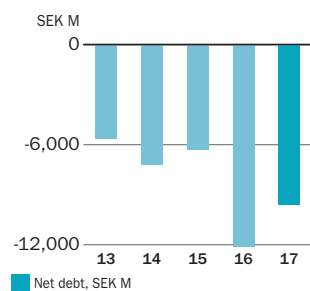
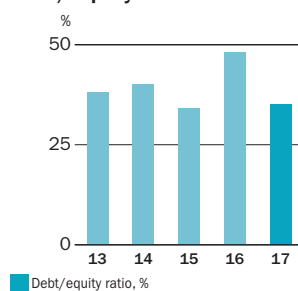
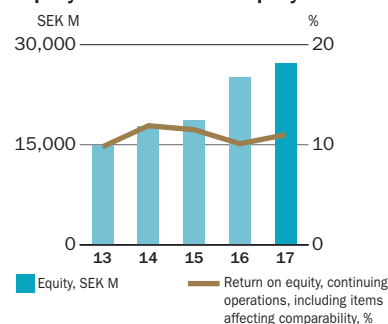
The major portion of Trelleborg's core EUR 560 m and USD 625 m syndicated multicurrency revolving credit facility matures in December 2020. On account of Trelleborg's significant presence in the Czech Republic, the Group strengthened its long-term financing by agreeing a new syndicated facility of CZK 6,750 m during the year. The facility has a tenor of five years and can thereafter be extended by a maximum of two more years subject to agreement with the lenders. In 2017, Trelleborg issued a Medium Term Note of SEK 500 m in the Swedish bond market, with a two-year tenor.

Equity

Total shareholders' equity increased during the year by SEK 2,079 m to SEK 27,216 m (25,137).

Profit for the year contributed SEK 2,874 m (6,585) to equity. Effects of translation differences, cash-flow hedging and the hedging of net investments increased total equity by a net amount of SEK 337 m (1,314) after tax. Effects of the restatement of the net pension obligation under IAS 19 Employee Benefits was income of SEK 23 m after tax (expense: 46). Other comprehensive income attributable to discontinuing or divested operations amounted to a negative SEK 3 m (neg: 254). Total dividends amounted to SEK 1,152 m (1,084).

Equity per share was SEK 100 (93), up 8 percent. The equity/assets ratio was 56 percent (52). Return on equity for continuing operations including items affecting comparability amounted to 11.0 percent (10.1). The total return on shareholders' equity for the Group was 11.0 percent (30.1). The year-earlier period was very positively impacted by the capital gain from the divestment of Vibracoustic.

Net debt**Debt/equity ratio****Equity and return on equity**

COMMENTS ON THE CONSOLIDATED CASH-FLOW STATEMENTS

The Group's operating cash flow was SEK 3,688 M (3,460). The cash conversion ratio was 90 percent (99) for the year. The earnings improvement compared with the preceding year, in part from acquired units, had a positive impact on cash flow. The rate of investment increased 25 percent compared with 2016 to SEK 1,437 M (1,148), comprising 4.6 percent (4.2) of sales. The change in working capital was a negative SEK 279 M (pos: 9). During the year, payments related to items affecting comparability amounted to an outflow of SEK 275 M (outflow: 326). After deductions for payments pertaining to financial items, outflow of SEK 247 M, and taxes paid, outflow of SEK 732 M, free cash flow amounted to SEK 2,434 M (2,368), corresponding to SEK 8.98 per share (8.74).

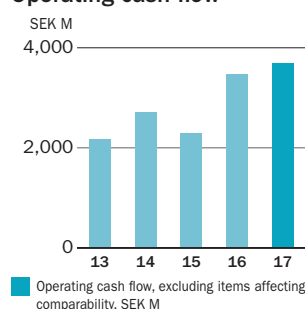
Three acquisitions took place during the year, refer also to page 31. The total cash flow effect from acquisitions amounted to an outflow of SEK 226 M (outflow: 13,380).

During the first quarter of 2017, the divestment of the compounding operation in Lesina, the Czech Republic, was finalized and proceeds amounted to SEK 649 M. The preceding year included the divestment of Trelleborg's shares in Vibracoustic under divested/discontinuing operations in the amount of SEK 6,165 M.

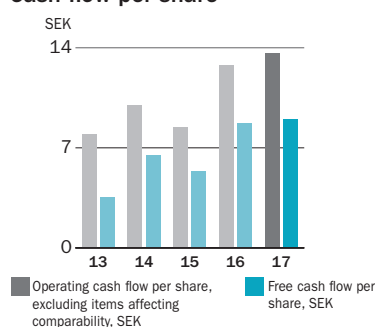
The dividend for the year to shareholders of the Parent Company amounted to SEK 1,152 M (1,084).

Net cash flow amounted to SEK 1,705 M (outflow: 5,931).

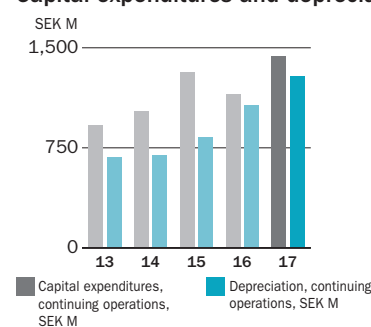
Operating cash flow



Cash flow per share



Capital expenditures and depreciation



Cash-flow report

| SEK M | EBITDA | | Gross capital expenditures | | Sold non-current assets | | Change in working capital | | Dividend from joint ventures/associated companies | | Other non-cash items | | Total cash flow | |
|---|--------------|--------------|----------------------------|---------------|-------------------------|-----------|---------------------------|----------|---|----------|----------------------|-----------|-----------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Trelleborg Coated Systems | 356 | 416 | -95 | -69 | 0 | 4 | -15 | -71 | - | - | 11 | 10 | 257 | 290 |
| Trelleborg Industrial Solutions | 848 | 719 | -236 | -173 | 3 | 1 | -87 | -24 | - | - | 27 | 20 | 555 | 543 |
| Trelleborg Offshore & Construction | 56 | 211 | -75 | -207 | 5 | 8 | 170 | 57 | - | - | 13 | 14 | 169 | 83 |
| Trelleborg Sealing Solutions | 2,580 | 2,216 | -387 | -317 | 17 | 3 | -4 | -17 | 2 | 2 | 33 | 32 | 2,241 | 1,919 |
| Trelleborg Wheel Systems | 1,395 | 1,004 | -403 | -302 | 9 | 10 | -261 | 50 | - | - | 33 | 18 | 773 | 780 |
| Rubena Savatech | 280 | 177 | -183 | -38 | 3 | 1 | 30 | -1 | - | - | -6 | -6 | 124 | 133 |
| Group items | -133 | -178 | -58 | -42 | 0 | 10 | -112 | 15 | - | - | -128 | -93 | -431 | -288 |
| Operating cash flow | 5,382 | 4,565 | -1,437 | -1,148 | 37 | 37 | -279 | 9 | 2 | 2 | -17 | -5 | 3,688 | 3,460 |
| Cash-flow effect of items affecting comparability | | | | | | | | | | | | | -275 | -326 |
| Financial items | | | | | | | | | | | | | -247 | -173 |
| Tax paid | | | | | | | | | | | | | -732 | -593 |
| Free cash flow | | | | | | | | | | | | | 2,434 | 2,368 |
| Acquisitions | | | | | | | | | | | | | -226 | -13,380 |
| Divested/discontinuing operations | | | | | | | | | | | | | 649 | 6,165 |
| Dividend – shareholders of the Parent Company | | | | | | | | | | | | | -1,152 | -1,084 |
| Total net cash flow | | | | | | | | | | | | | 1,705 | -5,931 |

Consolidated cash-flow statements

| SEK M | Note | 2017 | 2016 |
|--|------|---------------|---------------|
| <i>Operating activities</i> | | | |
| EBIT including participations in associated companies | | 4,022 | 3,105 |
| <i>Adjustment for items not included in operating cash flow:</i> | | | |
| Depreciation of property, plant and equipment | 16 | 990 | 868 |
| Amortization of intangible assets | 17 | 294 | 203 |
| Impairment of property, plant and equipment | 16 | 57 | 54 |
| Impairment of intangible assets | 17 | 379 | – |
| Dividend from associated companies | | 2 | 2 |
| Participations in associated companies and other non-cash items | | –17 | –5 |
| Items affecting comparability | | – | 4 |
| Earnings effect related to Vibracoustic | | –467 | – |
| Capital gain in divested operations | | –472 | – |
| Interest received and other financial items | | 40 | 40 |
| Interest paid and other financial items | | –287 | –213 |
| Tax paid | | –732 | –593 |
| Cash flow from operating activities before changes in working capital | | 3,809 | 3,465 |
| <i>Cash flow from changes in working capital</i> | | | |
| Change in inventories | | –451 | –5 |
| Change in operating receivables | | –456 | 1,047 |
| Change in operating liabilities | | 628 | –1,033 |
| Change in items affecting comparability | | 304 | 5 |
| Cash flow from operating activities | | 3,834 | 3,479 |
| <i>Investing activities</i> | | | |
| Acquired units | 15 | –226 | –13,380 |
| Divested/discontinuing operations | | 649 | 6,165 |
| Gross capital expenditures for property, plant and equipment | 16 | –1,343 | –1,074 |
| Gross capital expenditures for intangible assets | 17 | –94 | –74 |
| Sale of non-current assets | | 37 | 37 |
| Cash flow from investing activities | | –977 | –8,326 |
| <i>Financing activities</i> | | | |
| Change in interest-bearing investments | | 1,135 | –323 |
| Change in interest-bearing liabilities | | –269 | –298 |
| New/utilized loans | | 501 | 6,126 |
| Amortized loans | | –2,901 | –371 |
| Dividend – shareholders of the Parent Company | | –1,152 | –1,084 |
| Cash flow from financing activities ¹⁾ | 28 | –2,686 | 4,050 |
| Cash flow for the year | | 171 | –797 |
| <i>Cash and cash equivalents</i> | | | |
| Opening balance, January 1 | | 1,879 | 2,552 |
| Exchange rate differences | | –56 | 124 |
| Cash and cash equivalents, December 31 | 24 | 1,994 | 1,879 |

¹⁾ The portion of the change for the year in financial liabilities that does not impact liquidity is largely attributable to exchange rate effects.

Notes – Group

1 General accounting policies

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 Stockholm. The Board of Directors resolved to adopt these consolidated financial statements for publication on February 16, 2018.

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.

Amendments to IAS 1 Presentation of Financial Statements are being made within the framework of the IASB's Disclosure Initiative, a project aimed at improving disclosures in financial statements. The amendments clarify a number of issues, including materiality, separate disclosure and subtotals, and the order of notes. For Trelleborg, this has involved a rearrangement of the note structure, with certain applicable accounting policies presented under the respective notes since 2016. In addition, general accounting policies were applied that are presented below.

These policies were applied consistently for all years presented, unless otherwise stated.

Consolidated financial statements

Group

The consolidated financial statements include the Parent Company and all subsidiaries and joint ventures/associated companies. 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.

Translation of foreign currencies

Functional currency and reporting currency

Items included in the financial statements of the various entities of the Group are valued in the currency used in the primary economic environment of each company's operations (functional currency). Swedish kronor (SEK), which is the Parent Company's functional currency and presentation currency, is utilized in the consolidated financial statements.

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 hedging or net-investments hedging 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, joint ventures and associated companies (none of which use a high-inflation currency) are prepared in the functional currency of each company. In the consolidated financial statements, 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 sheets 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.

Cash-flow statements

Cash-flow statements are prepared in accordance with the indirect method.

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.

New and amended standards applied from January 1, 2017

Amendments to IAS 7 Statement of Cash Flows

The amendments have entailed a new disclosure requirement to enable users of financial statements to evaluate changes in liabilities arising from financing activities. The disclosure requirement relates to changes that arise from both cash inflows and cash outflows as well as non-cash changes (for example, changes resulting from acquisitions and translation differences). The changes are to be applied prospectively for fiscal years beginning on or after January 1, 2017.

Other amended and new IFRS that came into effect in 2017 did not have any material impact on the Group's accounts.

New standards and interpretations that have not yet come into effect

A number of new and amended IFRS have not yet come into effect and were not applied prospectively in connection with the preparation of the Group's and Parent Company's financial statements. The standards that could potentially impact the Group's and Parent Company's financial statements are described below. Other new or amended standards or interpretations are not expected to have any impact on the Group's or Parent Company's financial statements.

IFRS 9 Financial Instruments IFRS 9 encompasses the recognition of financial assets and liabilities and replaces IAS 39 Financial Instruments: Recognition and Measurement. Similar to IAS 39, financial assets are classified in various categories, some of which are measured at amortized cost and others at fair value. IFRS 9 introduces other categories than those specified in IAS 39. Classification under IFRS 9 is based in part on the instruments' contractual cash flows and in part on the company's business model. IFRS 9 also introduces a new model for impairment of financial assets. The purpose of the new model is to recognize credit losses earlier than under IAS 39. In relation to financial liabilities, IFRS 9 is largely consistent with IAS 39. However, for liabilities recognized at fair value, the part of the change in fair value attributable to own credit risk is to be recognized in other comprehensive income instead of profit and loss as long as this does not give rise to inconsistency in the reporting. Changed criteria for hedge accounting may result in more financial hedging strategies meeting the requirements for hedge accounting under IFRS 9 than under IAS 39.

IFRS 9 Financial Instruments takes effect on January 1, 2018 and will be applied by the Group. A project was conducted within Trelleborg on the basis of the following areas: classification, measurement and documentation of financial liabilities and assets, adjustment of documentation relating to hedge accounting to the new regulation and calculation of the effects of the transition to a new model for recognition of anticipated credit losses, known as the expected loss model. The conclusion is that the new standard will not have any material impact on the Trelleborg Group's reporting. Given the immaterial effects of the new standard, previous periods will not be restated. In the first quarter of 2018, the Group intends to recognize a non-recurring item of approximately SEK 5 M in equity on account of the modified calculation model for anticipated credit losses on accounts receivable and about SEK 1 M for anticipated credit losses in cash and cash equivalents.

IFRS 15 – Revenue from Contracts with Customers IFRS 15 will replace IAS 18 Revenue, IAS 11 Construction Contracts and associated interpretations. The new standard introduces a new model for revenue recognition (five-step model) that is based on when control of a good or service is transferred to the customer. The core principle is that an entity is to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The five-step model consists of the following framework:

- Step 1** Identify the contract(s)
- Step 2** Identify the performance obligations
- Step 3** Determine the transaction price
- Step 4** Allocate the transaction price to the performance obligations
- Step 5** Recognize revenue when (or as) the entity satisfies a performance obligation

IFRS 15 contains more guidance and comprehensive disclosure requirements. Trelleborg has chosen to retroactively restate the 2017 fiscal year. During the fiscal year, the Group completed its IFRS 15 project, which involved taking an inventory of customer contracts and assessing these in accordance with the five-step model. The review concluded that the transition to IFRS 15 will not have any material impact on the Group's financial statements.

IFRS 16 Leases IFRS 16 replaces IAS 17 as of January 1, 2019. According to the new standard, the lessee is to recognize the obligation to pay lease fees as a lease liability in the balance sheet. The right to use the underlying asset during the lease period is recognized as an asset. Depreciation of the asset is recognized in profit and loss as is the interest on the lease liability. Paid lease fees are recognized as payment of interest and repayment of the lease liability. The standard provides exemption for leases with a duration of less than 12 months (short-term leases) and leases for low-value assets.

During the year, the Group commenced an evaluation of the effects of the standard. Both recognized assets and liabilities are expected to increase. The income statement and financing activities in the cash flow statement will also be affected, but it has not yet been possible to carry out a reliable estimation of the relevant amounts.

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. Estimates and assumptions that may have a significant effect on the Group's earnings and financial position are provided for each Note where appropriate.

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 to subsidiaries are added to the value of shares and participations in the balance sheet, after which impairment testing is conducted.
- Liabilities in foreign currencies that represent effective hedging instruments for the Parent Company's investments in subsidiaries were measured at the historical rate of exchange. Gains or losses on liabilities that are replaced are recognized as other assets or liabilities until such time as the net investment has been divested.

Sales and earnings

2 Segment reporting

Accounting policies

Operating segments

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 operating 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. The

Group is divided into five business areas: Trelleborg Coated Systems, Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg Sealing Solutions and Trelleborg Wheel Systems. The business, acquired as part of CGS, Rubena and Savatech, has been recognized independently from Trelleborg's business areas during a transition period. As of 2018, these operations will be allocated among the Trelleborg Coated Systems and Trelleborg Industrial Solutions business areas. In addition, central staff functions and a Group-wide operation are included in Group items.

Critical estimates and judgments

Segment reporting for the business areas comprises operating EBIT and capital employed. Capital employed encompasses all property, plant and equipment, intangible assets and participations 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.

A description of the Group's operating segments is presented on pages 14–24.

Net sales and EBIT by operating segment

| SEK M | 2017 | | | | | | 2016 | | | | | |
|---|---------------|----------|---------------|--------------|---|---|---------------|----------|---------------|--------------|---|---|
| | Net sales | | | Profit/loss | Of which, items affecting comparability | Of which, profit/loss in associated companies | Net sales | | | Profit/loss | Of which, items affecting comparability | Of which, profit/loss in associated companies |
| | External | Internal | Total | | | | External | Internal | Total | | | |
| Trelleborg Coated Systems | 2,337 | 139 | 2,476 | 243 | –17 | – | 2,398 | 128 | 2,526 | 241 | –82 | – |
| Trelleborg Industrial Solutions | 5,515 | 58 | 5,573 | 430 | –201 | – | 4,866 | 58 | 4,924 | 493 | –32 | – |
| Trelleborg Offshore & Construction | 3,008 | 6 | 3,014 | –667 | –611 | – | 3,459 | 8 | 3,467 | –71 | –179 | – |
| Trelleborg Sealing Solutions | 9,949 | 7 | 9,956 | 2,212 | –19 | 2 | 8,766 | 5 | 8,771 | 1,918 | –1 | 2 |
| Trelleborg Wheel Systems | 8,870 | 8 | 8,878 | 936 | –80 | 0 | 6,346 | 8 | 6,354 | 691 | –29 | 0 |
| Rubena Savatech | 1,809 | 124 | 1,933 | 151 | –15 | 8 | 998 | 65 | 1,063 | 112 | 0 | 7 |
| Group items | 93 | 110 | 203 | 717 | 874 | – | 312 | 160 | 472 | –279 | –68 | – |
| Elimination of intercompany sales | | –452 | –452 | | | | | –432 | –432 | | | |
| Total | 31,581 | 0 | 31,581 | 4,022 | –69 | 10 | 27,145 | 0 | 27,145 | 3,105 | –391 | 9 |
| Financial income | | | | 130 | | | | | | 68 | | |
| Financial expenses | | | | –360 | | | | | | –277 | | |
| Income tax | | | | –918 | | | | | | –680 | | |
| Profit for the year, continuing operations | | | | 2,874 | | | | | | 2,216 | | |
| Profit for the year, discontinuing operations | | | | – | | | | | | 4,369 | | |
| Net profit | | | | 2,874 | | | | | | 6,585 | | |

Breakdown by operating segment

| SEK M | 2017 | | | | | | 2016 | | | | | |
|--|------------------|---|------------------------------------|---------------------------|-------------------|-----------------------------------|------------------|---|------------------------------------|---------------------------|-------------------|-----------------------------------|
| | Capital employed | Of which participations in associated companies | Capital expenditures ¹⁾ | Depreciation/amortization | Impairment losses | Operating cash flow ²⁾ | Capital employed | Of which participations in associated companies | Capital expenditures ¹⁾ | Depreciation/amortization | Impairment losses | Operating cash flow ²⁾ |
| Trelleborg Coated Systems | 3,614 | – | 95 | 95 | 0 | 257 | 3,863 | – | 69 | 97 | –5 | 290 |
| Trelleborg Industrial Solutions | 4,239 | – | 236 | 216 | 40 | 555 | 4,241 | – | 172 | 194 | 0 | 543 |
| Trelleborg Offshore & Construction | 2,407 | – | 75 | 113 | 388 | 169 | 3,132 | – | 207 | 102 | 52 | 83 |
| Trelleborg Sealing Solutions | 10,258 | 7 | 387 | 345 | 4 | 2,241 | 10,359 | 7 | 318 | 298 | 0 | 1,919 |
| Trelleborg Wheel Systems | 13,936 | 3 | 403 | 379 | 0 | 773 | 13,058 | 3 | 302 | 284 | 1 | 780 |
| Rubena Savatech | 2,938 | 64 | 183 | 111 | 2 | 124 | 2,665 | 75 | 38 | 64 | 0 | 133 |
| Group items | 241 | 2 | 58 | 25 | 2 | –431 | 418 | 2 | 42 | 32 | 6 | –288 |
| Provisions for items affecting comparability | –302 | | | | | | –66 | | | | | |
| Continuing operations | 37,331 | 76 | 1,437 | 1,284 | 436 | 3,688 | 37,670 | 87 | 1,148 | 1,071 | 54 | 3,460 |
| Discontinuing operations | –75 | – | – | – | – | – | –82 | – | – | – | 69 | – |
| Trelleborg Group | 37,256 | 76 | 1,437 | 1,284 | 436 | 3,688 | 37,588 | 87 | 1,148 | 1,071 | 123 | 3,460 |

¹⁾ Relates to investments in property, plant and equipment and intangible assets.

²⁾ Operating cash flow relates to the Group's operations excluding items affecting comparability.

In the presentation of the Group's geographical markets, the operations have been subdivided into Western Europe, Rest of Europe, North America, South and Central America, Asia and Rest of the World. Net sales are recognized according to customer location, while capital employed and capital expenditures are recognized according to where the subsidiaries are physically located.

Net sales

By geographic market/country

| SEK M | 2017 | 2016 |
|--|---------------|---------------|
| Germany | 4,527 | 3,471 |
| France | 1,907 | 1,710 |
| Italy | 1,568 | 1,242 |
| U.K. | 1,549 | 1,575 |
| Sweden | 1,216 | 1,093 |
| Netherlands | 697 | 640 |
| Spain | 685 | 609 |
| Switzerland | 559 | 375 |
| Belgium | 504 | 416 |
| Norway | 441 | 490 |
| Austria | 384 | 280 |
| Finland | 330 | 275 |
| Denmark | 242 | 271 |
| Other Western Europe | 287 | 267 |
| Total Western Europe | 14,896 | 12,714 |
| Czech Republic | 799 | 620 |
| Poland | 645 | 498 |
| Russia | 434 | 283 |
| Turkey | 317 | 328 |
| Slovenia | 190 | 113 |
| Romania | 163 | 186 |
| Hungary | 145 | 101 |
| Slovakia | 140 | 99 |
| Rest of Europe | 510 | 343 |
| Total rest of Europe | 3,343 | 2,571 |
| U.S. | 6,603 | 5,726 |
| Canada | 512 | 486 |
| Total North America | 7,115 | 6,212 |
| Brazil | 597 | 506 |
| Mexico | 317 | 285 |
| Other South and Central America | 204 | 248 |
| Total South and Central America | 1,118 | 1,039 |
| China | 1,602 | 1,375 |
| Australia | 546 | 503 |
| South Korea | 483 | 482 |
| Japan | 483 | 469 |
| India | 410 | 400 |
| Other markets | 1,585 | 1,380 |
| Total Asia and other markets | 5,109 | 4,609 |
| Total | 31,581 | 27,145 |

In the translation of foreign subsidiaries, changes in exchange rates compared with 2016 had an impact on sales of 0 percent (neg: 1).

Trends in key currencies against the SEK were as follows:

| | 2017 | | 2016 | |
|-----|--------------|------------------|--------------|------------------|
| | Average rate | Closing day rate | Average rate | Closing day rate |
| EUR | 9.6366 | 9.8497 | 9.4691 | 9.5762 |
| USD | 8.5415 | 8.2322 | 8.5601 | 9.0984 |
| GBP | 10.9977 | 11.1045 | 11.5702 | 11.1850 |
| CZK | 0.3663 | 0.3849 | 0.3503 | 0.3540 |

Distribution by geographic market

| SEK M | Capital employed | | Capital expenditures | |
|--|------------------|---------------|----------------------|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Italy | 2,557 | 2,495 | 140 | 118 |
| U.K. | 1,750 | 1,995 | 46 | 140 |
| Germany | 1,748 | 1,708 | 131 | 57 |
| France | 960 | 823 | 59 | 56 |
| Sweden | 829 | 826 | 85 | 77 |
| Switzerland | 594 | 619 | 15 | 22 |
| Malta | 431 | 420 | 35 | 25 |
| Other Western Europe | 5,053 | 4,941 | 83 | 60 |
| Total Western Europe | 13,922 | 13,827 | 594 | 555 |
| Czech Republic | 9,281 | 8,752 | 207 | 66 |
| Slovenia | 1,521 | 1,462 | 68 | 24 |
| Turkey | 361 | 333 | 40 | 16 |
| Serbia | 230 | 156 | 106 | 6 |
| Poland | 162 | 127 | 29 | 29 |
| Rest of Europe | 235 | 198 | 20 | 37 |
| Total rest of Europe | 11,790 | 11,028 | 470 | 178 |
| U.S. | 7,924 | 8,969 | 203 | 249 |
| Canada | 54 | 44 | 0 | 0 |
| Total North America | 7,978 | 9,013 | 203 | 249 |
| Brazil | 825 | 1,030 | 14 | 11 |
| Mexico | 109 | 101 | 8 | 4 |
| Other South and Central America | 5 | 5 | – | 0 |
| Total South and Central America | 939 | 1,136 | 22 | 15 |
| China | 1,367 | 1,377 | 86 | 99 |
| Australia | 540 | 473 | 14 | 11 |
| Sri Lanka | 318 | 320 | 29 | 24 |
| India | 192 | 185 | 14 | 13 |
| Japan | 188 | 208 | 1 | 1 |
| Other markets | 97 | 103 | 4 | 3 |
| Total Asia and other markets | 2,702 | 2,666 | 148 | 151 |
| Total | 37,331 | 37,670 | 1,437 | 1,148 |

3 Revenue recognition

Accounting policies

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 sales 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. Sales are recognized after deduction of VAT and are adjusted for any discounts.

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 Group will obtain the financial benefits related to the assignment, and when a reliable calculation can be made. Anticipated losses are expensed immediately. The share of the Group's revenue that is classified as service assignments is marginal.

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 income

Other operating income includes external rental revenue, capital gains from the sale and scrapping of property, plant, equipment and tools, positive exchange rate differences, derivatives and also gains or losses on divestments of associated companies and subsidiaries.

4 Expenses by nature

| SEK M | 2017 | 2016 |
|--|----------------|----------------|
| Costs for raw materials, components, goods for resale and packaging material as well as energy and transport costs | -15,365 | -12,801 |
| Remuneration to employees | -9,280 | -8,247 |
| Depreciation/amortization and impairment losses | -1,720 | -1,194 |
| Other external costs related to sales, administration and R&D | -2,238 | -2,051 |
| Other operating income/expenses | 1,034 | 244 |
| Share of profit in associated companies | 10 | 9 |
| Total | -27,559 | -24,040 |

The above amounts include items affecting comparability.

5 Items affecting comparability

Accounting policies

Non-recurring expenses related to the action programs aimed at enhancing the Group's efficiency and structure are recognized as items affecting comparability. A project is classified as affecting comparability only when it amounts to an equivalent of at least SEK 20 M and it has been approved by the Board.

An additional non-recurring impairment of non-current assets was included in items affecting comparability. Impairment was conducted to the calculated value in use. In addition to the action programs, costs and income can, in exceptional cases, also be classified as items affecting comparability. Exceptional items refers to material income or expense items recognized separately due to the significance of their nature or amount.

Breakdown by business area

| SEK M | 2017 | 2016 |
|--|---------------|-------------|
| Trelleborg Coated Systems | -17 | -82 |
| Trelleborg Industrial Solutions | -201 | -32 |
| Trelleborg Offshore & Construction | -611 | -179 |
| Trelleborg Sealing Solutions | -19 | -1 |
| Trelleborg Wheel Systems | -80 | -29 |
| Rubena Savatech | -15 | - |
| Group items | -65 | -16 |
| Total | -1,008 | -339 |
| Acquisition-related costs | - | -52 |
| Earnings effect, receivable linked to divestment of Vibracoustic ¹⁾ | 467 | - |
| Capital gain, divestment of compounding operation ²⁾ | 472 | - |
| Net items affecting comparability | -69 | -391 |

¹⁾ A final part payment of SEK 689 M related to the divestment of Trelleborg's stake in the joint venture Vibracoustic in summer 2016 will be received in the second quarter of 2018. This part payment was previously recognized as a receivable totaling SEK 222 M, which is why the excess amount generates a positive earnings effect of SEK 467 M.

²⁾ During the first quarter of 2017, the divestment of the compounding operation in Lesina, the Czech Republic, was finalized with a capital gain of SEK 472 M.

Breakdown by function

| SEK M | 2017 | 2016 |
|------------------------------|------------|-------------|
| Cost of goods sold | -289 | -203 |
| Selling expenses | -45 | -19 |
| Administrative expenses | -132 | -93 |
| Research & development costs | -2 | -1 |
| Other operating income | 964 | 0 |
| Other operating expenses | -565 | -75 |
| Total | -69 | -391 |

Of which impairment losses/restructuring costs

| SEK M | Impairment losses | | Restructuring costs | |
|------------------------------------|-------------------|------------|---------------------|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Trelleborg Coated Systems | 0 | 1 | -17 | -83 |
| Trelleborg Industrial Solutions | -40 | - | -161 | -32 |
| Trelleborg Offshore & Construction | -388 | -51 | -223 | -128 |
| Trelleborg Sealing Solutions | - | - | -19 | -1 |
| Trelleborg Wheel Systems | - | -1 | -80 | -28 |
| Rubena Savatech | - | - | -15 | - |
| Group items | -1 | -5 | -64 | -11 |
| Total | -429 | -56 | -579 | -283 |

In addition, there are acquisition-related costs totaling SEK 0 M (52).

6 Other operating income and expenses

Accounting policies

Other operating income and expenses includes rental revenue, capital gains/losses from the sale and scrapping of property, plant, equipment and tools, exchange rate differences, derivatives and also gains or losses on divestments of associated companies and subsidiaries. Refer to Note 3.

| SEK M | 2017 | 2016 |
|---------------------------------------|-------------|-------------|
| Compensation from insurance company | 4 | 0 |
| Rental revenue | 50 | 45 |
| Exchange rate differences | 207 | 215 |
| Royalties | 12 | 12 |
| Government grants | 13 | 8 |
| Customer/Supplier-related revenues | 39 | 14 |
| Derivatives | 114 | 162 |
| Sale of non-current assets | 12 | 11 |
| Sale of tools, prototypes, etc. | 12 | 16 |
| Sale of services | 1 | 3 |
| Other | 177 | 103 |
| Total other operating income | 641 | 589 |
| Rental costs | -13 | -8 |
| Exchange rate differences | -289 | -135 |
| Customer/Supplier-related expenses | -1 | -2 |
| Derivatives | -92 | -215 |
| Depreciation/amortization | -112 | -70 |
| Sale/disposal of non-current assets | -2 | -15 |
| Other | -53 | -33 |
| Total other operating expenses | -562 | -478 |
| Total | 79 | 111 |

7 Auditor's remuneration

| SEK M | 2017 | 2016 |
|--|-----------|-----------|
| <i>Deloitte/PricewaterhouseCoopers ¹⁾</i> | | |
| Audit assignment | 24 | 30 |
| Audit activities other than audit assignment | 1 | 3 |
| Tax consultancy services | 1 | 5 |
| Other services | 1 | 13 |
| <i>Other auditors</i> | | |
| Audit assignment | 3 | 2 |
| Audit activities other than audit assignment | 0 | 0 |
| Tax consultancy services | 0 | 1 |
| Other services | 0 | 1 |
| Total | 30 | 55 |

¹⁾ Deloitte AB was appointed as the Group's auditor at the 2017 Annual General Meeting. The fee for 2017 relates to Deloitte and the fee for 2016 relates to PricewaterhouseCoopers as the Group's appointed auditors.

The audit assignment relates to audit of the financial statements and accounts. Audit activities other than the audit assignment refer, for example, to comfort letters and the limited assurance report on Trelleborg's sustainability report. Tax services include both tax consultancy services and tax compliance services. Other services primarily relate to consultancy services.

8 Financial income and expenses

Financial income

| SEK M | 2017 | 2016 |
|---|-----------|-----------|
| Interest income from interest-bearing receivables at amortized cost | 41 | 45 |
| Net change in value of derivative instruments | 3 | 1 |
| Exchange rate fluctuations, net | 18 | 22 |
| Total financial income | 62 | 68 |

Financial expenses

| | | |
|--|-------------|-------------|
| Interest expenses | | |
| – interest-bearing liabilities at amortized cost | –156 | –176 |
| – derivative instruments | –130 | –85 |
| Exchange rate fluctuations, net | –6 | –16 |
| Total financial expenses | –292 | –277 |
| Total financial income and expenses | –230 | –209 |

9 Discontinuing operations

Accounting policies

Discontinuing or divested operations comprise significant parts of operations and assets that the Group has determined to fully, or almost fully, discontinue or divest through disposal or distribution. These assets are recognized at the lower of the carrying amount and fair value, less selling expenses. These non-current assets are not depreciated from the date of reclassification.

Non-current assets held for sale

Non-current 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.

Critical estimates and judgments

The receivable related to Vibracoustic's realized sales performance in 2017 (refer to Note 29) is recognized and measured in line with the most probable outcome based on the information available at the date of preparation of this annual report. The effect of this measurement is recognized as an item affecting comparability. Refer to Note 5.

As of 2016, Trelleborg's participation in Vibracoustic has been recognized as a discontinuing operation. The TrelleborgVibracoustic joint venture was formed in July 2012 between Trelleborg's former business area Trelleborg Automotive and Freudenberg's corresponding operations in antivibration solutions, Vibracoustic. The company has been owned in equal shares by the parties and was renamed to Vibracoustic in April 2016. During summer 2016, Trelleborg sold all of its shares in Vibracoustic to Freudenberg.

Analysis of results from discontinuing operations

| SEK M | 2017 | 2016 |
|--------------------------|------|--------------|
| Net sales | – | – |
| Cost of goods sold | – | – |
| Gross profit | – | – |
| Other operating income | – | 4,312 |
| EBIT | – | 4,312 |
| Profit before tax | – | 4,312 |
| Income tax | – | 57 |
| Net profit | – | 4,369 |

10 Income tax

Accounting policies

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 comprehensive income, in which case the related tax effect is also recognized in equity or 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 balance sheet approach on all temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the consolidated financial statements. 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 participations in subsidiaries and joint ventures/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. Temporary differences arise in business combinations on the differences between the consolidated value of assets and liabilities and their tax bases.

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. 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. Deferred tax assets and liabilities are offset when the deferred tax pertains to the same tax authority.

Critical estimates and judgments

Assessments are made to determine current and deferred tax receivables 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.

Income tax

| SEK M | 2017 | 2016 |
|---|-------------|-------------|
| Current tax expenses | | |
| Tax expenses for the period | –847 | –597 |
| Adjustment of tax attributable to prior years | –3 | 3 |
| Total | –850 | –594 |
| Deferred tax expenses | | |
| Utilization/revaluation of losses carried forward | –50 | 27 |
| Deferred tax expenses/revenue on changes in temporary differences | –13 | –105 |
| Total | –63 | –78 |
| Other tax | –5 | –8 |
| Total recognized tax expenses for continuing operations | –918 | –680 |
| Discontinuing operations | | |
| Deferred tax expense/income | – | 57 |
| Total recognized tax expenses for the Group | –918 | –623 |
| Reconciliation of tax in the Group, continuing operations | | |
| Profit before tax | 3,792 | 2,896 |
| Calculated Swedish income tax, 22% (22) | –834 | –637 |
| Impact of other tax rates on foreign subsidiaries | –12 | –51 |
| Non-deductible expenses/Non-taxable revenue ¹⁾ | 98 | –76 |
| Impact of changed tax rates and tax regulations ²⁾ | –154 | 3 |
| Reassessment of losses carried forward/temporary differences | –52 | 66 |
| Tax attributable to prior years | 18 | –5 |
| Other | 23 | 28 |
| Total | –913 | –672 |
| Other tax | –5 | –8 |
| Recognized tax for continuing operations | –918 | –680 |
| Tax items recognized in other comprehensive income | | |
| Deferred tax on cash-flow hedges | –16 | 3 |
| Deferred tax on hedging of net investments | 3 | 110 |
| Deferred tax in translation differences | 8 | –14 |
| Deferred tax on pension obligations | –15 | 15 |
| Total | –20 | 114 |

¹⁾ 2017 includes the effects of the divestment of a compounding operation in Lesina, the Czech Republic, and an additional purchase payment related to the divestment of Vibracoustic. Refer to page 87.

²⁾ 2017 includes the effects linked to a new tax reform in the U.S. Refer to page 88.

At year-end 2017, the Group had losses carried forward in continuing operations of approximately SEK 2,923 M (3,396), of which SEK 1,952 M (2,425) was taken into account when calculating deferred tax. Losses carried forward not taken into account include cases where uncertainty exists regarding the tax value.

Of losses carried forward, SEK 0 M (16) falls due within the next 12-month period and SEK 5 M (19) falls due within the next five-year period.

Deferred tax assets and liabilities

| SEK M | 2017 | | | 2016 | | |
|----------------------------------|---------------------|--------------------------|------------|---------------------|--------------------------|----------|
| | Deferred tax assets | Deferred tax liabilities | Net | Deferred tax assets | Deferred tax liabilities | Net |
| Intangible assets | 181 | 1,054 | -873 | 34 | 1,023 | -989 |
| Land and buildings | 83 | 171 | -88 | 84 | 167 | -83 |
| Machinery and equipment | 75 | 201 | -126 | 39 | 194 | -155 |
| Financial non-current assets | 0 | 7 | -7 | 0 | 10 | -10 |
| Inventories | 161 | 28 | 133 | 162 | 5 | 157 |
| Current receivables | 37 | 4 | 33 | 12 | 2 | 10 |
| Pension provisions | 125 | 4 | 121 | 155 | 0 | 155 |
| Other provisions | 113 | 8 | 105 | 74 | 2 | 72 |
| Non-current liabilities | 100 | 0 | 100 | 111 | 3 | 108 |
| Current liabilities | 112 | 56 | 56 | 112 | 15 | 97 |
| Losses carried forward | 473 | - | 473 | 643 | - | 643 |
| Total | 1,460 | 1,533 | -73 | 1,426 | 1,421 | 5 |
| Offsetting of assets/liabilities | -742 | -742 | | -632 | -632 | |
| Total | 718 | 791 | -73 | 794 | 789 | 5 |

Deferred tax assets and liabilities are offset when the deferred tax pertains to the same tax authority.

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 | |
|-----------------------------------|--------------------|------------|-------------------------------|------------|--|------------|--|-------------|-------------------------|----------|----------------------|----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Intangible assets | -989 | -429 | 100 | -25 | - | - | -4 | -505 | 20 | -30 | -873 | -989 |
| Land and buildings | -83 | -66 | -10 | 10 | - | - | 1 | -24 | 4 | -3 | -88 | -83 |
| Machinery and equipment | -155 | -75 | 22 | -32 | - | - | 5 | -41 | 2 | -7 | -126 | -155 |
| Financial non-current assets | -10 | -11 | -115 | -36 | 117 | 38 | - | - | 1 | -1 | -7 | -10 |
| Inventories | 157 | 122 | -21 | 2 | -1 | - | -1 | 26 | -1 | 7 | 133 | 157 |
| Current receivables | 10 | 8 | 24 | 1 | - | - | - | - | -1 | 1 | 33 | 10 |
| Pension provisions | 155 | 132 | -12 | -15 | -15 | 15 | - | 17 | -7 | 6 | 121 | 155 |
| Other provisions | 72 | 67 | 34 | -26 | - | - | - | 26 | -1 | 5 | 105 | 72 |
| Non-current liabilities | 108 | 45 | -8 | 62 | - | - | - | - | 0 | 1 | 100 | 108 |
| Current liabilities | 97 | 86 | -27 | 11 | -11 | 0 | - | -2 | -3 | 2 | 56 | 97 |
| Losses carried forward | 643 | 469 | -50 | 27 | -110 | 61 | - | 60 | -10 | 26 | 473 | 643 |
| Total | 5 | 348 | -63 | -21 | -20 | 114 | 1 | -443 | 4 | 7 | -73 | 5 |
| Of which discontinuing operations | | | - | 57 | | | | | | | | |
| Continuing operations | | | -63 | -78 | | | | | | | | |

Employees

11 Employees and employee benefits

Accounting policies

Employee benefits

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.

Average number of employees

| | 2017 | | | 2016 | | |
|--|-----------------|---------------|---------------|-----------------|---------------|---------------|
| | Number of Women | Number of Men | Total | Number of Women | Number of Men | Total |
| U.K. | 289 | 1,175 | 1,464 | 286 | 1,306 | 1,592 |
| Italy | 187 | 972 | 1,159 | 176 | 1,007 | 1,183 |
| Sweden | 352 | 770 | 1,122 | 360 | 751 | 1,111 |
| Germany | 308 | 632 | 940 | 267 | 531 | 798 |
| France | 188 | 724 | 912 | 200 | 777 | 977 |
| Malta | 145 | 393 | 538 | 149 | 355 | 504 |
| Denmark | 103 | 279 | 382 | 117 | 258 | 375 |
| Netherlands | 26 | 225 | 251 | 27 | 231 | 258 |
| Norway | 47 | 186 | 233 | 45 | 217 | 262 |
| Other Western Europe | 146 | 383 | 529 | 146 | 361 | 507 |
| Total Western Europe | 1,791 | 5,739 | 7,530 | 1,773 | 5,794 | 7,567 |
| Czech Republic | 1,201 | 3,278 | 4,479 | 736 | 2,019 | 2,755 |
| Slovenia | 227 | 662 | 889 | 146 | 382 | 528 |
| Serbia | 56 | 501 | 557 | 33 | 293 | 326 |
| Turkey | 22 | 532 | 554 | 25 | 447 | 472 |
| Poland | 207 | 239 | 446 | 212 | 246 | 458 |
| Rest of Europe | 210 | 217 | 427 | 192 | 206 | 398 |
| Total rest of Europe | 1,923 | 5,429 | 7,352 | 1,344 | 3,593 | 4,937 |
| U.S. | 802 | 2,101 | 2,903 | 694 | 1,958 | 2,652 |
| Canada | 6 | 22 | 28 | 4 | 22 | 26 |
| Total North America | 808 | 2,123 | 2,931 | 698 | 1,980 | 2,678 |
| Brazil | 66 | 327 | 393 | 64 | 366 | 430 |
| Other South and Central America | 128 | 263 | 391 | 117 | 263 | 380 |
| Total South and Central America | 194 | 590 | 784 | 181 | 629 | 810 |
| China | 432 | 1,186 | 1,618 | 437 | 1,130 | 1,567 |
| Sri Lanka | 24 | 657 | 681 | 28 | 656 | 684 |
| India | 81 | 482 | 563 | 80 | 429 | 509 |
| Other markets | 141 | 512 | 653 | 145 | 526 | 671 |
| Total Asia and other markets | 678 | 2,837 | 3,515 | 690 | 2,741 | 3,431 |
| Total | 5,394 | 16,718 | 22,112 | 4,686 | 14,737 | 19,423 |

The proportion of women is 10 percent (9) in Group Management and 38 percent (33) on the Board of Directors.

Employee benefits, other remuneration and payroll overheads

| Salaries and other remuneration, SEK M | 2017 | 2016 |
|--|--------------|--------------|
| U.K. | 601 | 658 |
| Italy | 599 | 513 |
| Sweden | 594 | 583 |
| Germany | 652 | 500 |
| France | 360 | 359 |
| Malta | 117 | 103 |
| Denmark | 260 | 251 |
| Netherlands | 137 | 132 |
| Norway | 182 | 181 |
| Other Western Europe | 292 | 264 |
| Total Western Europe | 3,794 | 3,544 |
| Czech Republic | 581 | 325 |
| Slovenia | 167 | 88 |
| Serbia | 35 | 20 |
| Turkey | 67 | 79 |
| Poland | 66 | 57 |
| Rest of Europe | 71 | 57 |
| Total rest of Europe | 987 | 626 |

| | | |
|--|--------------|--------------|
| U.S. | 1,786 | 1,581 |
| Canada | 21 | 16 |
| Total North America | 1,807 | 1,597 |
| Brazil | 116 | 102 |
| Other South and Central America | 44 | 33 |
| Total South and Central America | 160 | 135 |
| China | 203 | 196 |
| Sri Lanka | 45 | 43 |
| India | 58 | 47 |
| Other markets | 334 | 340 |
| Total Asia and other markets | 640 | 626 |
| Salaries and other remuneration | 7,388 | 6,528 |
| Payroll overheads | 1,434 | 1,271 |
| Pension costs – defined-contribution plans | 165 | 262 |
| Pension costs – defined-benefit plans | 50 | -28 |
| Payroll overheads | 1,649 | 1,505 |
| Total | 9,037 | 8,033 |
| Salaries and other remuneration for continuing operations include: | | |
| to Board members and presidents, including variable salaries | 205 | 190 |
| to other senior executive officers | 35 | 44 |

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 2017 Annual General Meeting. The Board's proposal to the 2018 Annual General Meeting regarding principles for remuneration does not deviate substantially from the principles adopted by the 2017 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. It should be possible for the remuneration principles to vary depending on local conditions and be based on such factors as position, expertise, experience and performance. The total remuneration package is to comprise fixed and variable salaries, pension and other remuneration. Trelleborg continuously performs evaluations to ensure that conditions are market-based as compared with relevant industries and markets. Refer also to www.trelleborg.com, Corporate Governance, Remuneration: "Principles for remuneration and other conditions of employment for senior executives".

Remuneration of management 2017

President

During 2017, the President and CEO received a fixed salary and other remuneration as shown in the table overleaf. 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 2017, corresponding to a maximum of 65 percent of fixed salary. During 2017, the annual variable salary was based on the Trelleborg Group's profit before tax and the Group's operating cash flow, both excluding the effect of structural changes approved by the Board and global growth. The annual variable salary does not constitute pensionable income and does not form the basis of calculation of vacation pay. For 2017, an annual variable salary of SEK 6,038,000 (6,058,000) was payable to the President.

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. The pension agreement is a defined-contribution scheme, and the premium comprises 40 percent of the fixed salary. Pension premiums were expensed in 2017 as shown in the table on the next page.

For the President, a period of notice of 24 months applies when termination of employment is initiated by the company. The period of notice when termination of employment is initiated by 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 40–65 percent of fixed annual salary. In 2017, the annual variable salary was based on the following factors: profit before tax, operating cash flow and global growth. For the business areas, other operating key figures also served as targets for annual variable salary. For other senior executives, the entire pension plan is a defined-contribution scheme, whereby the pension premium can vary between 10 and 40 percent of the fixed salary. This applies to other senior executives in all countries other than Italy, where the premium level is slightly higher. Certain senior executives have extended notice of termina-

tion periods when initiated by the company, normally 12, 18 or 24 months. The period of notice from the senior executive is six months. The President and other senior executives have the possibility of having other benefits, primarily a company car and medical expenses insurance.

Long-term incentive program

Since 2005, the Board of Directors has annually resolved on 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 a cash-based supplement to the annual variable salaries, provided that the executive has not terminated his employment 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 increase value for the Group's shareholders by promoting and retaining the commitment of senior executives to the Group's development.

Target figure

The target value for the incentive programs is an annual improvement of 10 percent in the Trelleborg Group's earnings per share. This target excludes the Group's items affecting comparability and the impact of any share buyback programs. For the 2015–2017 program, the basis for the target figure was set as the outcome of earnings per share for 2014 and this principle has remained unchanged for the rolling three-year programs that commenced thereafter. All programs have an outcome that is limited to 33.3 percent of the maximum annual variable salary.

Outcome and payment

The outcomes of the programs are 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. A payment was made in the first quarter of 2017 for the program approved in 2014. For the program approved for 2015, payment will be made in the first quarter of 2018, for the program approved for 2016, payment will be made in the first quarter of 2019, and for the program approved for 2017, payment will be made in the first quarter of 2020. The payments do not constitute pensionable income and do not form the basis of calculation of vacation pay. In 2017, the Group's earnings were charged with SEK 53,584,000 (45,423,000) and additional payroll overheads of SEK 8,901,000 (9,988,000).

Other incentive programs

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

Remuneration to the Board 2017

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 2017, remuneration was paid as per the table below. 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

| 2017 SEK 000s | Board fee/fixed salary | Annual variable salary | Incentive program ¹⁾ | Other benefits | Pension costs | Total |
|--|------------------------------|------------------------------|------------------------------------|-------------------|------------------|---------------|
| Sören Mellstig, Chairman of the Board | 1,765 | | | | | 1,765 |
| Hans Biörck, Board member | 715 | | | | | 715 |
| Jan Carlson, Board member ²⁾ | 230 | | | | | 230 |
| Gunilla Fransson, Board member | 613 | | | | | 613 |
| Johan Malmquist, Board member | 640 | | | | | 640 |
| Anne Mette Olesen, Board member | 600 | | | | | 600 |
| Susanne Pahlén Åklundh, Board member | 540 | | | | | 540 |
| Bo Risberg, Board member | 710 | | | | | 710 |
| President | 10,208 | 6,038 | 6,300 | 180 | 4,121 | 26,847 |
| Other senior executives, employees of Trelleborg AB, 2 persons | 5,197 | 2,353 | 2,466 | 234 | 1,624 | 11,847 |
| employees of other Group companies, 7 persons | 25,652 | 8,306 | 10,700 | 1,240 | 8,868 | 54,766 |
| Total | 46,870 | 16,697 | 19,466 | 1,654 | 14,613 | 99,300 |

Costs are recognized as remuneration of senior executives for the period during which the person in question held their position.

¹⁾ Expensed in 2017. Payment is to be made in the first quarter, 2018 to 2020, on condition that the individual is employed in the Group on December 31 of the preceding year.

²⁾ Board member up to and including the Annual General Meeting.

| 2016 SEK 000s | Board fee/fixed salary | Annual variable salary | Incentive program | Other benefits | Pension costs | Total |
|--|------------------------------|------------------------------|----------------------|-------------------|------------------|----------------|
| Sören Mellstig, Chairman of the Board | 1,570 | | | | | 1,570 |
| Hans Biörck, Board member | 688 | | | | | 688 |
| Jan Carlson, Board member | 635 | | | | | 635 |
| Gunilla Fransson, Board member | 347 | | | | | 347 |
| Claes Lindqvist ¹⁾ | 192 | | | | | 192 |
| Johan Malmquist, Board member | 387 | | | | | 387 |
| Anne Mette Olesen, Board member | 545 | | | | | 545 |
| Susanne Pahlén Åklundh, Board member | 347 | | | | | 347 |
| Bo Risberg, Board member | 668 | | | | | 668 |
| Nina Udnes Tronstad ¹⁾ | 158 | | | | | 158 |
| Heléne Vibbleus ¹⁾ | 208 | | | | | 208 |
| President | 9,678 | 6,058 | 6,793 | 180 | 3,959 | 26,668 |
| Other senior executives, employees of Trelleborg AB, 3 persons | 7,016 | 7,018 | 3,617 | 357 | 1,691 | 19,699 |
| employees of other Group companies, 7 persons | 26,798 | 9,837 | 13,511 | 954 | 10,779 | 61,879 |
| Total | 49,237 | 22,913 | 23,921 | 1,491 | 16,429 | 113,991 |

¹⁾ Board member up to and including the Annual General Meeting.

12 Provisions for pensions and similar items

Accounting policies

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. Pension plans are normally financed through contributions to a separate legal entity from each Group company and from the employees. Prepaid contributions are recognized as an asset insofar as cash repayments or reductions of future payments can benefit the Group. 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.

Defined contribution pension plans

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.

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.

Defined benefit pension plans

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. 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, meaning 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.

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.

Critical estimates and judgments

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 561 M (659).

The sensitivity analyses below 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 balance sheet.

Specification of costs

| SEK M | 2017 | 2016 |
|--|------------|------------|
| Costs for services during current year ¹⁾ | 42 | 39 |
| Interest on the obligation | 38 | 45 |
| Anticipated return on plan assets ²⁾ | -24 | -27 |
| Actuarial gains and losses recognized for the year | -2 | 1 |
| Curtailment and settlement | -8 | -87 |
| Past service cost | 4 | 1 |
| Total cost of defined benefit plans | 50 | -28 |
| Cost of defined contribution plans | 165 | 262 |
| Total pension costs | 215 | 234 |

¹⁾ Includes administrative expenses, taxes and risk premiums.

²⁾ Adjusted for limitation of defined benefit asset and IFRIC 14.

The gain of SEK 87 M in 2016 from curtailment and settlement is primarily related to securing an ITP plan in Sweden through pension insurance with Alecta and from the termination of a defined benefit plan in the Netherlands for future accruals.

Specification of pension liability in the balance sheet

| SEK M | 2017 | 2016 |
|---|------------|------------|
| Present value of funded obligations | 1,004 | 1,074 |
| Fair value of plan assets | -949 | -901 |
| Surplus/deficit in funded plans | 55 | 173 |
| Present value of unfunded obligations | 478 | 486 |
| Total defined benefit plans | 533 | 659 |
| Effect of limit rule for net assets | 28 | 0 |
| Total defined benefit plans | 561 | 659 |
| Defined contribution plans | 1 | 2 |
| Net pension liability | 562 | 661 |
| of which, recognized as plan assets | 8 | 20 |
| Closing balance, pension liability | 570 | 681 |

Change in defined benefit obligations

| SEK M | Present value of obligation | Fair value of plan assets | Effect of limit rule for net assets | Total |
|--|-----------------------------|---------------------------|-------------------------------------|------------|
| On January 1, 2016 | 1,303 | -748 | 0 | 555 |
| Costs for services during current year ³⁾ | 34 | 5 | - | 39 |
| Interest expenses/(income) ⁴⁾ | 45 | -27 | - | 18 |
| Past service cost | 1 | 0 | - | 1 |
| Gains and losses from settlements | -86 | 0 | - | -86 |
| | -6 | -22 | - | -28 |
| Revaluations: | | | | |
| Return on plan assets excluding amounts included in interest expenses/(income) | 0 | -18 | - | -18 |
| (Gain)/loss due to changed demographic assumptions | -9 | 0 | - | -9 |
| (Gain)/loss due to changed financial assumptions | 100 | 0 | - | 100 |
| Experience-based (gains)/losses | -12 | 0 | - | -12 |
| | 79 | -18 | - | 61 |
| Exchange rate differences | 60 | -33 | - | 27 |
| Contributions: | | | | |
| Employer | 0 | -65 | - | -65 |
| Employees encompassed by the plan | 5 | -5 | - | 0 |
| Payments: | | | | |
| Payments made from plans | -39 | 39 | - | 0 |
| Payments made directly from companies | -39 | 39 | - | 0 |
| Assumed through business combinations | 194 | -88 | - | 106 |
| Transfers or change in scope | 3 | 0 | - | 3 |
| At December 31, 2016 | 1,560 | -901 | 0 | 659 |
| On January 1, 2017 | 1,560 | -901 | 0 | 659 |
| Costs for services during current year ³⁾ | 38 | 4 | - | 42 |
| Interest expenses/(income) ⁴⁾ | 38 | -24 | - | 14 |
| Past service cost | 4 | 0 | - | 4 |
| Gains and losses from settlements | -8 | 0 | - | -8 |
| | 72 | -20 | 0 | 52 |
| Revaluations: | | | | |
| Return on plan assets excluding amounts included in interest expenses/(income) | 0 | -77 | 28 | -49 |
| (Gain)/loss due to changed demographic assumptions | -10 | 0 | - | -10 |
| (Gain)/loss due to changed financial assumptions | 2 | 0 | - | 2 |
| Experience-based (gains)/losses | 16 | 0 | - | 16 |
| | 8 | -77 | 28 | -41 |

| SEK M | Present value of obligation | Fair value of plan assets | Effect of limit rule for net assets | Total |
|---------------------------------------|-----------------------------|---------------------------|-------------------------------------|------------|
| Exchange rate differences | -65 | 55 | 0 | -10 |
| Contributions: | | | | |
| Employer | 0 | -103 | - | -103 |
| Employees encompassed by the plan | 7 | -7 | - | 0 |
| Payments: | | | | |
| Payments made from plans | -83 | 83 | - | 0 |
| Payments made directly from companies | -27 | 27 | - | 0 |
| Assumed through business combinations | 1 | 0 | - | 1 |
| Transfers or change in scope | 9 | -6 | - | 3 |
| At December 31, 2017 | 1,482 | -949 | 28 | 561 |

³⁾ Including administrative expenses.

⁴⁾ Adjusted for limitation of defined benefit asset and IFRIC 14.

The acquisition of CGS Holding and Schwab Vibration Control in 2016 yielded in overall increase of SEK 106 M in the liability.

Defined benefit pension obligation and composition of plan assets per country

| SEK M | 2017 | | | | | Total |
|---------------------------------------|-----------|-------------|------------|------------|------------|------------|
| | U.S. | Switzerland | France | U.K. | Other | |
| Present value of funded obligations | 532 | 215 | 0 | 127 | 130 | 1,004 |
| Fair value of plan assets | -487 | -173 | 0 | -155 | -134 | -949 |
| Total | 45 | 42 | 0 | -28 | -4 | 55 |
| Present value of unfunded obligations | 15 | 0 | 164 | 0 | 299 | 478 |
| Effect of limit rule for net assets | - | - | - | 28 | 0 | 28 |
| Total defined benefit plans | 60 | 42 | 164 | 0 | 295 | 561 |

| SEK M | 2016 | | | | | Total |
|---------------------------------------|------------|-------------|------------|-----------|------------|------------|
| | U.S. | Switzerland | France | U.K. | Other | |
| Present value of funded obligations | 563 | 263 | 0 | 137 | 111 | 1,074 |
| Fair value of plan assets | -458 | -192 | 0 | -125 | -126 | -901 |
| Total | 105 | 71 | 0 | 12 | -15 | 173 |
| Present value of unfunded obligations | 15 | 0 | 172 | 0 | 299 | 486 |
| Effect of limit rule for net assets | - | - | - | - | 0 | 0 |
| Total defined benefit plans | 120 | 71 | 172 | 12 | 284 | 659 |

| Key actuarial assumptions, % | 2017 | | | | | Group average |
|------------------------------|------|-------------|--------|------|-------|---------------|
| | U.S. | Switzerland | France | U.K. | Other | |
| Discount rate | 3.7 | 0.8 | 1.4 | 2.6 | 2.8 | 2.7 |
| Inflation | 2.5 | 1.0 | 1.8 | 2.4 | 2.0 | 2.1 |
| Salary increases | 0.3 | 1.0 | 2.4 | 0.0 | 2.6 | 2.6 |

| Key actuarial assumptions, % | 2016 | | | | | Group average |
|------------------------------|------|-------------|--------|------|-------|---------------|
| | U.S. | Switzerland | France | U.K. | Other | |
| Discount rate | 4.3 | 0.4 | 1.1 | 2.6 | 2.4 | 2.6 |
| Inflation | 2.5 | 1.0 | 1.8 | 2.5 | 2.5 | 2.0 |
| Salary increases | 0.3 | 1.0 | 2.4 | 0.0 | 3.6 | 2.4 |

| Life expectancy | 2017 | | | | | Average |
|--|------|-------------|--------|------|-------|---------|
| | U.S. | Switzerland | France | U.K. | Other | |
| Life expectancy for a 45-year-old man at the age of 65 | 22.7 | 23.8 | 18.8 | 22.6 | 20.3 | 21.5 |
| Life expectancy for a 65-year-old man at the age of 65 | 20.7 | 21.9 | 18.8 | 20.9 | 19.5 | 20.1 |
| Life expectancy for a 45-year-old woman at the age of 65 | 24.2 | 25.8 | 22.9 | 25.0 | 23.8 | 24.0 |
| Life expectancy for a 65-year-old woman at the age of 65 | 22.3 | 23.9 | 22.9 | 23.1 | 23.0 | 22.7 |

| Life expectancy | 2016 | | | | | Average |
|--|------|-------------|--------|------|-------|---------|
| | U.S. | Switzerland | France | U.K. | Other | |
| Life expectancy for a 45-year-old man at the age of 65 | 22.8 | 24.2 | 18.4 | 22.7 | 20.4 | 21.7 |
| Life expectancy for a 65-year-old man at the age of 65 | 20.8 | 22.3 | 18.4 | 21.0 | 19.5 | 20.3 |
| Life expectancy for a 45-year-old woman at the age of 65 | 24.4 | 26.2 | 22.6 | 25.2 | 23.9 | 24.2 |
| Life expectancy for a 65-year-old woman at the age of 65 | 22.4 | 24.3 | 22.6 | 23.3 | 22.9 | 22.8 |

Sensitivity in the defined benefit obligation to changes in the key weighted assumptions

| Impact on the defined benefit obligation SEK M | Increase of +0.25% in assumptions ⁵⁾ | | | | | Total |
|---|---|-------------|--------|------|-------|-------|
| | U.S. | Switzerland | France | U.K. | Other | |
| Discount rate | -15.6 | -9.0 | -4.8 | -3.9 | -13.5 | -46.8 |
| Inflation | 0.0 | 0.1 | 4.9 | 4.3 | 4.9 | 14.2 |
| Salary increases | 0.5 | 0.8 | 4.9 | 0.0 | 2.5 | 8.7 |
| Life expectancy | Increase of 1 year in assumption | | | | | Total |
| | U.S. | Switzerland | France | U.K. | Other | |
| | 16.3 | 5.8 | 0.9 | 6.1 | 6.7 | 35.8 |

| Impact on the defined benefit obligation SEK M | Decrease of -0.25% in assumptions ⁵⁾ | | | | | Total |
|---|---|-------------|--------|------|-------|-------|
| | U.S. | Switzerland | France | U.K. | Other | |
| Discount rate | 16.4 | 9.7 | 5.1 | 4.1 | 14.3 | 49.6 |
| Inflation | 0.0 | -0.1 | -4.8 | -4.1 | -4.6 | -13.6 |
| Salary increases | -0.4 | -0.9 | -4.8 | 0.0 | -2.4 | -8.5 |
| Life expectancy | Decrease of 1 year in assumption ⁶⁾ | | | | | Total |
| | U.S. | Switzerland | France | U.K. | Other | |
| | | | | | | |

⁵⁾ The increase in the defined benefit obligation is shown as positive and the decrease as negative.

⁶⁾ Not applicable.

Composition of plan assets

| SEK M | 2017 | | | |
|---|------------|------------|------------|--------------|
| | Listed | Unlisted | Total | % |
| Shares | 393 | 0 | 393 | 41.5 |
| Debt instruments (government bonds and corporate bonds) | 260 | 0 | 260 | 27.4 |
| Properties | 21 | 0 | 21 | 2.2 |
| Other (including cash and cash equivalents and insurance) | 132 | 143 | 275 | 28.9 |
| Total | 806 | 143 | 949 | 100.0 |

| SEK M | 2016 | | | |
|---|------------|------------|------------|--------------|
| | Listed | Unlisted | Total | % |
| Shares | 350 | 0 | 350 | 38.9 |
| Debt instruments (government bonds and corporate bonds) | 253 | 0 | 253 | 28.1 |
| Properties | 15 | 0 | 15 | 1.7 |
| Other (including cash and cash equivalents and insurance) | 131 | 152 | 283 | 31.3 |
| Total | 749 | 152 | 901 | 100.0 |

Contributions to plans for post-employment benefits for the 2018 fiscal year are expected to amount to SEK 72 M. The weighted average term of the pension obligation is 13 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 10, this constitutes a multi-employer defined benefit plan. For the 2017 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 11 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, 2017, Alecta's surplus corresponded to a collective consolidation ratio of 154 percent (149).

Pension plan, U.S.

Some of the trade-union members working at Trelleborg Coated Systems US Inc are part of the National Retirement Fund (NRF), a U.S. multi-employer pension plan. For the 2017 fiscal year, the company did not have access to information that would enable the company to record this plan as a defined benefit plan. Consequently, the plan is recorded as a defined contribution plan. The contribution to the pension plan is determined based on the salary mass of the plan participants and a fixed amount per plan participants. The Group's shares of the pension plan amounted to approximately 0.06 percent of the total contributions to the pension plan.

Group structure

13 Participations in joint venture/associated companies

Accounting policies

Associated companies

Associated companies are companies in which the Parent Company directly or indirectly has a significant, but not controlling, influence, generally corresponding to between 20 and 50 percent of the voting rights. Investments in associated companies are recognized in accordance with the equity method and are initially recognized at cost. The Group's recognized value of the holdings in associated companies includes the goodwill identified in conjunction with the acquisition, net after any recognition of impairment losses. The associated companies essentially carry out the same operations as the Group's other business activities and, accordingly, the share of profit in these companies is recognized in EBIT.

The Group's share in the post-acquisition results of an associated company is recognized in profit and loss in the item "Share of profit or loss in associated companies," and is included in EBIT. Accumulated post-acquisition changes are recognized as changes in the carrying amount of the investment. When the Group's share in the losses of an associated company amount to, or exceed, the Group's investment in the associated company, including any unsecured receivables, the Group does not recognize further losses unless obligations have been incurred or payments made on behalf of the associated company. Unrealized gains on transactions between the Group and its associated companies are eliminated in proportion to the Group's participation in the associated company. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset.

Joint ventures

Trelleborg has assessed its joint arrangements and determined them to be joint ventures. Joint ventures are recognized in accordance with the equity method. The equity method entails that holdings in joint ventures are to be initially recognized in the consolidated statement of financial position at cost. The carrying amount is subsequently increased or decreased to take into account the Group's share of profit and other comprehensive income from its joint ventures after the date of acquisition. The Group's share of profit is included in consolidated earnings, and the Group's share of other comprehensive income is included in other comprehensive income in the Group. When the Group's share of the losses in a joint venture is the same amount or exceeds the holdings in this joint venture (including all long-term receivables that in reality comprise part of the Group's net investment in the joint venture), the Group does not recognize any additional losses, unless the Group has undertaken commitments or has made payments on behalf of the joint venture.

Related-party transactions

The Group's transactions with related parties pertain to purchases and sales to joint ventures/associated companies. All transactions are priced in accordance with market terms and prices. In addition, compensation is paid to the Board of Directors and senior executives; refer to Note 11 for further information.

The Trelleborg Group included a major joint venture, Vibracoustic GmbH, with its registered office in Germany, which was divested in 2016 effective January 1, 2016 and from that date, was recognized among results from discontinuing operations. Other associated companies account for a minor amount.

| SEK M | Profit before tax | | Income tax | | Net profit | | Dividend received | |
|----------------------|-------------------|-----------|------------|-----------|------------|----------|-------------------|----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Associated companies | 12 | 11 | -2 | -2 | 10 | 9 | 2 | 2 |
| Total | 12 | 11 | -2 | -2 | 10 | 9 | 2 | 2 |

| SEK M | Receivables from companies | | Liabilities to companies | | Sales to companies | | Operating income from companies | |
|----------------------|----------------------------|----------|--------------------------|----------|--------------------|-----------|---------------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Associated companies | 2 | 2 | 2 | 1 | 20 | 25 | 7 | 4 |
| Total | 2 | 2 | 2 | 1 | 20 | 25 | 7 | 4 |

Change in carrying amounts, joint ventures/associated companies

| SEK M | 2017 | 2016 |
|---|-----------|-----------|
| Balance, January 1, joint venture | – | 2,683 |
| Other comprehensive income | – | – |
| Dividend | – | – |
| Earnings reported in discontinuing operations | – | -2,683 |
| Carrying amount, Vibracoustic | – | 0 |
| Associated companies ¹⁾ | 76 | 87 |
| Carrying amount, December 31 | 76 | 87 |

¹⁾ Of which Sico Rubena a.s accounts for SEK 64 M.

14 Parent Company and Group holdings of shares in Group companies ¹⁾

Accounting policies

Subsidiaries

The Group has a controlling influence over a company when it is exposed or entitled to a variable return from its holding in the company and can influence said return through its controlling influence in the company. This is normally achieved when the shareholding amounts 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. 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 recognition of the remaining holdings as an associated company, joint venture or financial asset. All amounts pertaining to the divested unit that were previously recognized in other comprehensive income are recognized as if the Group had directly divested the attributable assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit and loss.

Where necessary, the accounting policies for subsidiaries have been adjusted to guarantee consistent application of the Group's policies.

| Company | Registration number | Domicile/country | Number of shares | Ownership percent | Carrying amount, SEK M |
|--|---------------------|------------------|------------------|-------------------|------------------------|
| Chemtrading Alpha Holding AG | CH-170.3.018.603-0 | Switzerland | 100 | 100 | 3 |
| Dormviltolv AB | 556853-1619 | Trelleborg | 1,000 | 100 | 0 |
| Dormviltretton AB | 556853-1627 | Trelleborg | 1,000 | 100 | 0 |
| Dormvilfjorton AB | 556853-1486 | Trelleborg | 1,000 | 100 | 0 |
| Dormvilfemton AB | 556853-1635 | Trelleborg | 1,000 | 100 | 0 |
| Lebela Förvaltnings AB | 556054-1533 | Trelleborg | 60,000 | 100 | 32 |
| MHT Takentreprenören i Malmö AB | 556170-2340 | Malmö | 1,000 | 100 | 0 |
| Trelleborg Automotive Shanghai Holdings AB | 556742-8742 | Trelleborg | 1000 | 100 | 10 |
| Trelleborg Boots Mladá Boleslav s.r.o | 639 96 111 | Czech Republic | 100,000 | 100 | 19 |
| Trelleborg China Holding AB | 556030-7398 | Trelleborg | 200,000 | 100 | 43 |
| Trelleborg Sealing Solutions (China) Co. Ltd | 310000400437534 | China | 0 | 100 | |
| Trelleborg Coated Systems China Holding AB | 556728-8716 | Trelleborg | 1,000 | 100 | 1 |
| Trelleborg Corporation | 06-1253246 | U.S. | 2,592 | 100 | 3,211 |
| Trelleborg Coated Systems US Inc | 23-1470071 | U.S. | 1,000 | 100 | |
| Trelleborg Coated Systems Italy SpA | 10051150158 | Italy | 25,600,000 | 100 | |
| Trelleborg Sealing Solutions US, Inc | 95-1773005 | U.S. | 7,500 | 100 | |
| Trelleborg Wheel Systems Americas Inc | 06-1316073 | U.S. | 1,000 | 100 | |
| Trelleborg Sealing Profiles US Inc | 20-4090472 | U.S. | 1,000 | 100 | |
| Trelleborg Sealing Solutions Detroit Inc | 58-2037536 | U.S. | 100 | 100 | |
| Trelleborg Sealing Solutions Tustin, Inc. | 33-0577171 | U.S. | 0 | 100 | |
| Trelleborg Croatia d.o.o. | 080638386 | Croatia | 0 | 100 | 0 |
| Trelleborg do Brasil Soluções em Vedação Ltda | 35218417780 | Brazil | 21,003,021 | 100 | 1 |
| Trelleborg Engineered Systems China Holding AB | 556223-5910 | Trelleborg | 1,000 | 100 | 3 |
| Trelleborg Engineered Systems Qingdao Holding AB | 556715-4991 | Trelleborg | 1,000 | 100 | 96 |
| Trelleborg Forsheda AB | 556052-2996 | Värnamo | 8,640,000 | 100 | 173 |
| Trelleborg Ersmark AB | 556039-7852 | Skellefteå | 1,270,000 | 100 | |
| Trelleborg Holding AB | 556212-8255 | Trelleborg | 3,000 | 100 | 5,461 |
| Mitas a.s. | 000 12 190 | Czech Republic | 14,603,840 | 100 | |
| Mitas Tires North America Inc | 0100809270 | U.S. | 100 | 100 | |
| Trelleborg Bohemia a.s | 000 12 131 | Czech Republic | 174 | 100 | |
| Savatech d.o.o. | 1661205000 | Slovenia | 0 | 100 | |
| Trelleborg Sealing Profiles Sweden AB | 556026-2148 | Trelleborg | 12,000 | 100 | |
| Trelleborg Wheel Systems Argentina S.A. | 14362 | Argentina | 277,500 | 15 | |
| Trelleborg Wheel Systems Germany GmbH | HRB 71478 | Germany | 0 | 100 | |
| Trelleborg Sealing Solutions Germany GmbH | HRB 21275 | Germany | 0 | 100 | |
| Mitas GmbH | FN 250690 | Germany | 1 | 100 | |
| Trelleborg Antivibration Solutions Germany GmbH | HRB 5137 NP | Germany | 6 | 100 | |
| Trelleborg Istanbul Endüstriyel Hortumlar Sanayi ve Ticaret Anonim Sirketi | 905 | Turkey | 9,900,000 | 100 | |
| Trelleborg Holding Danmark A/S | 1627 9196 | Denmark | 21,000 | 100 | 631 |
| Trelleborg Holding France SAS | 353 742307 | France | 744,444 | 100 | 1,448 |
| Trelleborg Industrie SAS | 391933397 | France | 690,340 | 100 | |
| Trelleborg Sealing Solutions France SAS | 309,730,554 | France | 8,527 | 100 | |
| Trelleborg Wheel Systems France SAS | 410783492 | France | 9,060 | 100 | |
| Trelleborg Holding Norge AS | 943508186 | Norway | 10,000 | 100 | |
| Trelleborg Offshore Norway AS | 941730566 | Norway | 27,000 | 100 | |
| Trelleborg Holdings Switzerland AG | CHE-101.230.069 | Switzerland | 100 | 100 | 201 |
| Trelleborg Sealing Solutions Stein am Rhein AG | 290.3.004.156-3 | Switzerland | 74 | 74 | |
| Trelleborg Holdings Italia S.r.l. | LI-128316 | Italy | 0 | 100 | 671 |
| Trelleborg Sealing Solutions Italia S.p.A. | LI-48490 | Italy | 1,112,140 | 100 | |
| Trelleborg Wheel Systems Italia SpA | RM-907676 | Italy | 11,000 | 100 | |
| Trelleborg Holdings UK Ltd | 03304377 | U.K. | 253,472,474 | 100 | 2,087 |
| Trelleborg Sealing Solutions UK Ltd | 00446036 | U.K. | 10,050,000 | 100 | |
| Trelleborg Offshore UK Ltd | 01369166 | U.K. | 41,590 | 100 | |
| Trelleborg Industri AB | 556129-7267 | Trelleborg | 725,000 | 100 | 157 |
| Trelleborg Industrial Products Finland Oy | 0605887-9 | Finland | 100 | 100 | 137 |
| Trelleborg Insurance Ltd | 10412 | Bermuda | 50,000 | 100 | 119 |
| Trelleborg International B.V. | 02327837 | Netherlands | 41 | 100 | 3,150 |
| Trelleborg Pipe Seals Lelystad BV | 05026585 | Netherlands | 30,000 | 100 | |
| Trelleborg Marine Systems Japan KK | 0100-01-095821 | Japan | 20 | 100 | 0 |

| Company | Registration number | Domicile/country | Number of shares | Ownership percent | Carrying amount, SEK M |
|--|---------------------|------------------|------------------|-------------------|------------------------|
| Trelleborg Moulded Components Wuxi Holding AB | 556715-4983 | Trelleborg | 1,000 | 100 | 29 |
| Trelleborg Offshore & Construction AB | 556055-7711 | Trelleborg | 1,250 | 100 | 22 |
| Trelleborg Sealing Profiles Lithuanian, UAB | 302333896 | Lithuania | 2,021,040 | 100 | 8 |
| Trelleborg Sealing Solutions Belgium SA | BE0440479473 | Belgium | 100 | 100 | 114 |
| Trelleborg Sealing Solutions Bulgaria EOOD | 1346/1998 | Bulgaria | 10,000 | 100 | 16 |
| Trelleborg Sealing Solutions Czech s.r.o. | 48948764 | Czech Republic | 0 | 100 | 48 |
| Trelleborg Sealing Solutions Finland Oy | 0721679-5 | Finland | 15 | 100 | 75 |
| Trelleborg Sealing Solutions Hong Kong Ltd | 730579 | Hong Kong | 484,675 | 100 | 1 |
| Trelleborg Sealing Solutions Hungary Kft | 13-09-119761 | Hungary | 0 | 100 | 1 |
| Trelleborg Sealing Solutions Japan KK | 0106-01-011635 | Japan | 333 | 100 | 99 |
| Trelleborg Sealing Solutions Kalmar AB | 556325-7442 | Kalmar | 60,000 | 100 | 245 |
| Trelleborg Sealing Solutions Korea Ltd | 123-81-81886 | South Korea | 77,000 | 100 | 17 |
| Trelleborg Sealing Solutions Malta Ltd | C 388 | Malta | 482,263 | 100 | 0 |
| Trelleborg Sealing Solutions Russia OOO | 1087746852599 | Russia | 0 | 100 | 2 |
| Trelleborg Sealing Solutions Pernik EOOD | 175241703 | Bulgaria | 64,120 | 100 | 49 |
| Trelleborg Sealing Solutions Polska Sp.z o.o. | 0000100866 | Poland | 12,800 | 100 | 7 |
| Trelleborg Sealing Solutions Sızdirmazlık Ürünleri İthalat İhracat Üretim ve Ticaret Limited Şirketi | 816771 | Turkey | 42,200 | 100 | 7 |
| Trelleborg Sealing Solutions Sweden AB | 556204-8370 | Jönköping | 2,500 | 100 | 167 |
| Trelleborg Sealing Solutions Switzerland SA | CH-550-0081017-2 | Switzerland | 1,000 | 100 | 47 |
| Trelleborg Tigveni SRL | 22964627 | Romania | 700 | 100 | 6 |
| Trelleborg Treasury AB (publ) | 556064-2646 | Stockholm | 5,000 | 100 | 15,001 |
| Trelleborg Tyres Lanka (Private) Ltd | 4395 | Sri Lanka | 16,272,537 | 100 | 91 |
| Trelleborg Wheel Systems Argentina S.A. | 14362 | Argentina | 1,572,500 | 85 | 0 |
| Trelleborg Wheel Systems China Holdings AB | 556739-6998 | Trelleborg | 1000 | 100 | 64 |
| Trelleborg Wheel Systems Liepaja LSEZ SIA | 42103042763 | Latvia | 12,097,256 | 100 | 106 |
| Trelleborg Wheel Systems Nordic AB | 556056-2620 | Trelleborg | 40,000 | 100 | 10 |
| Trelleborg Wheel Systems Belgium NV | BE0402981847 | Belgium | 11,075,114 | 100 | 0 |
| TSS Silcotech Hong Kong Holding AB | 556742-8775 | Trelleborg | 1,000 | 100 | 0 |
| Trelleborg Wheel Systems China Holdings AB | 556739-6998 | Trelleborg | 1,000 | 100 | 0 |
| Mitas d.o.o. | 08250600 | Serbia | 0 | 100 | 800 |
| Trelleborg Sealing Solutions Stein am Rhein AG | 290.3.004.156-3 | Switzerland | 26 | 26 | 82 |
| Total Parent Company | | | | | 34,768 |

¹⁾ The table shows all directly owned subsidiaries and indirectly owned companies with annual external sales exceeding SEK 250 M.

15 Acquisitions

Accounting policies

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 a 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 and 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.

Transactions with non-controlling interests are treated as transactions with the Group's shareholders. This means that, in connection with an acquisition from a non-controlling interest, the difference between the purchase consideration paid and the actual share acquired of the carrying amount of the subsidiary's net assets is recognized in equity. Gains and losses on divestments to non-controlling interests are also recognized in equity.

2017

Acquisitions in the Trelleborg Sealing Solutions business area

Automated Dynamics, a privately owned company specialized in manufacturing advanced components in composite materials for particularly demanding applications.

Carolina Seal Inc, a privately owned company specialized in the distribution of polymer seals, such as O-rings, hydraulic seals and specialty kitting.

Acquisitions in the Trelleborg Wheel Systems business area

White Baumaschinenreifen GmbH, a company specialized in the service, fitting and repair of pneumatic and solid tires for construction vehicles in Germany.

All acquisitions in 2017 refer to 100 percent of the shares in the respective companies.

In addition, final settlement was carried out for earlier acquisitions and certain adjustments were made to the acquisitions analyses attributable to acquisitions carried out in 2016.

Acquisitions

| SEK M | Acquired 2017 | Adjustments of acquisitions 2016 ¹⁾ | Total 2017 |
|---|---------------|--|------------|
| Trademarks ²⁾ | – | –158 | –158 |
| Customer relationships ³⁾ | 44 | 53 | 97 |
| Other intangible assets | – | 1 | 1 |
| Property, plant and equipment | 10 | – | 10 |
| Deferred tax assets | – | –1 | –1 |
| Share of profit or loss in associated companies | – | –23 | –23 |
| Interest-bearing receivables | 1 | – | 1 |
| Inventories | 51 | 6 | 57 |
| Operating receivables | 30 | – | 30 |
| Current tax assets | – | 2 | 2 |
| Cash and cash equivalents | 18 | – | 18 |
| Deferred tax liabilities | –6 | 1 | –5 |
| Interest-bearing liabilities | –12 | – | –12 |
| Pension obligations | – | –2 | –2 |
| Other provisions | – | – | 0 |
| Current tax liabilities | –2 | – | –2 |
| Operating liabilities | –38 | – | –38 |
| Net assets | 96 | –121 | –25 |
| Goodwill | 113 | 145 | 258 |
| Total purchase consideration | 209 | 24 | 233 |
| Cash and cash equivalents and other net debt in acquired operations | | | –7 |
| Cash flow effect | | | 226 |

¹⁾ The amounts primarily refer to adjustments related to the CGS acquisition.

²⁾ The value of trademarks is considered to have an indefinite useful life, which is why no amortization is conducted.

³⁾ The surplus value of customer relationships is amortized over a period of 12–15 years.

Business combinations for the year contributed SEK 65 M to net sales.

Goodwill of SEK 258 M that arose during the year was attributable to acquired non-separable customer relationships and synergy effects expected after the acquisition.

The fair value of acquired, identifiable, intangible assets is provisional pending final measurement of these assets.

Acquisition-related costs of SEK 12 M are included in the consolidated income statement for 2017.

For more information about these acquisitions, refer to page 31.

2016

Acquisition of CGS Holding a.s.

A privately owned company with leading positions in agricultural, industrial and specialty tires as well as engineered polymer solutions. CGS Holding includes the businesses Mitas, Rubena and Savatech.

Acquisitions in the Trelleborg Industrial Solutions business area

Loggers Rubberteknik B.V., a company that offers specially developed antivibration solutions, mainly for marine applications.

Schwab Vibration Control, a supplier of components and systems for industrial antivibration.

Acquisitions in the Trelleborg Sealing Solutions business area

Specialty Silicone Fabricators Inc, a manufacturer of high-precision silicone components for the U.S. life science market.

Anderson Seal LLC, specialized in the distribution and service of seals, gaskets and custom-molded products.

Subsidiary of CoorsTek with operations in El Segundo, specializing in the manufacturing of precision seals for the aerospace industry.

Acquisitions in the Trelleborg Wheel Systems business area

International Tyre and Wheel Solutions Ltd, a distributor of large solid off-the-road (OTR) tires for the waste, recycling and demolition industries.

All acquisitions in 2016 refer to 100 percent of the shares in the respective companies.

Acquisitions

| SEK M | Acquisition of CGS | Other acquisitions | Total 2016 |
|---|-----------------------|-----------------------|---------------|
| Developed technology ¹⁾ | 206 | 43 | 249 |
| Trademarks ²⁾ | 1,301 | 109 | 1,410 |
| Customer relationships ³⁾ | 1,164 | 823 | 1,987 |
| Other intangible assets | 15 | 4 | 19 |
| Property, plant and equipment | 2,124 | 427 | 2,551 |
| Deferred tax assets | 30 | 30 | 60 |
| Share of profit or loss in associated companies | 67 | – | 67 |
| Interest-bearing receivables | 4 | 10 | 14 |
| Inventories | 906 | 202 | 1,108 |
| Operating receivables | 1,712 | 191 | 1,903 |
| Current tax assets | 34 | 0 | 34 |
| Cash and cash equivalents | 277 | 106 | 383 |
| Deferred tax liabilities | –255 | –235 | –490 |
| Interest-bearing liabilities | –15 | –372 | –387 |
| Pension obligations | –74 | –34 | –108 |
| Other provisions | –144 | –19 | –163 |
| Current tax liabilities | –101 | –39 | –140 |
| Operating liabilities | –1,468 | –142 | –1,610 |
| Net assets | 5,783 | 1,104 | 6,887 |
| Goodwill | 5,094 | 1,409 | 6,503 |
| Total purchase consideration | 10,877 | 2,513 | 13,390 |
| Cash and cash equivalents and other net debt in acquired operations | –266 | 256 | –10 |
| Cash flow effect | 10,611 | 2,769 | 13,380 |

¹⁾ Surplus value of developed technology is amortized over a period of ten years.

²⁾ The majority has an indefinite useful life, and is thus not amortized, while a minor share is amortized over a period of eight years.

³⁾ The surplus value of customer relationships is amortized over a period of 12–15 years.

Operating assets and liabilities

16 Property, plant and equipment

Accounting policies

Non-current assets comprise amounts expected to be recovered or paid more than 12 months from the closing date. PPE primarily encompasses plants and buildings. 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.

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.

Depreciation is applied until the estimated residual value is reached. 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 |
| Equipment and tools | 33 percent |
| Office equipment | 10–20 percent |

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.

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 expenses, respectively.

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 expenses, is included as an interest-bearing liability. The interest portion of the financial expenses 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 lease agreements. Lease payments for operating leases are expensed as operating costs straight-line over the term of the lease.

Property, plant and equipment

| SEK M | 2017 | 2016 |
|---|--------------|--------------|
| Buildings | 2,620 | 2,779 |
| Land and land improvements | 1,027 | 996 |
| Plant and machinery | 4,357 | 4,238 |
| Equipment, tools, fixtures and fittings | 560 | 569 |
| Construction in progress and advance payments | 880 | 853 |
| Total | 9,444 | 9,435 |

PPE by operating segment

| SEK M | 2017 | 2016 |
|------------------------------------|--------------|--------------|
| Trelleborg Coated Systems | 725 | 721 |
| Trelleborg Industrial Solutions | 1,177 | 1,210 |
| Trelleborg Offshore & Construction | 840 | 942 |
| Trelleborg Sealing Solutions | 2,040 | 1,974 |
| Trelleborg Wheel Systems | 3,543 | 3,413 |
| Rubena Savatech | 855 | 719 |
| Group items | 264 | 456 |
| Total | 9,444 | 9,435 |

Depreciation of PPE by function

| SEK M | 2017 | 2016 |
|------------------------------|-------------|-------------|
| Cost of goods sold | -871 | -751 |
| Selling expenses | -22 | -19 |
| Administrative expenses | -68 | -67 |
| Research & development costs | -21 | -21 |
| Other operating expenses | -8 | -10 |
| Total | -990 | -868 |

Impairment of PPE by function

| SEK M | Impairment losses | | Reversed impairment losses | |
|-----------------------------------|-------------------|-------------|----------------------------|----------|
| | 2017 | 2016 | 2017 | 2016 |
| Cost of goods sold | -4 | 0 | 0 | 4 |
| Other operating expenses | -53 | -127 | - | - |
| Total | -57 | -127 | 0 | 4 |
| Of which discontinuing operations | - | -69 | - | - |
| Continuing operations | -57 | -58 | 0 | 4 |

Lease 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 2 M (2). Future lease payments for financial lease agreements fall due as follows:

| SEK M | 2017 | 2016 |
|--------------------|----------|----------|
| Year 1 | 2 | 2 |
| Years 2–5 | 5 | 3 |
| Later than 5 years | 0 | 0 |
| Total | 7 | 5 |

Leasing costs for assets held via operating lease agreements are recognized as operating costs and amounted to SEK 405 M (350). Future payment commitments for non-cancelable lease agreements amounted to SEK 1,895 M (1,964) and fall due as follows:

| SEK M | 2017 | 2016 |
|--------------------|--------------|--------------|
| Year 1 | 362 | 328 |
| Years 2–5 | 907 | 895 |
| Later than 5 years | 626 | 741 |
| Total | 1,895 | 1,964 |

| SEK M | Buildings | | Land and land improvements | | Plant and machinery | | Equipment, tools, fixtures and fittings | | Construction in progress and advance payments | | Total property, plant and equipment | |
|--|--------------|--------------|----------------------------|------------|---------------------|--------------|---|------------|---|------------|-------------------------------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Accumulated cost | 5,559 | 5,529 | 1,078 | 1,044 | 15,071 | 14,445 | 2,466 | 2,413 | 900 | 895 | 25,074 | 24,326 |
| Accumulated depreciation according to plan | -2,702 | -2,522 | -44 | -41 | -10,514 | -10,010 | -1,899 | -1,837 | -10 | -24 | -15,169 | -14,434 |
| Accumulated revaluations | 14 | 14 | 13 | 13 | 4 | 3 | 1 | 0 | - | - | 32 | 30 |
| Accumulated impairment losses | -251 | -242 | -20 | -20 | -204 | -200 | -8 | -7 | -10 | -18 | -493 | -487 |
| Carrying amount | 2,620 | 2,779 | 1,027 | 996 | 4,357 | 4,238 | 560 | 569 | 880 | 853 | 9,444 | 9,435 |
| Balance, January 1 | 2,779 | 1,524 | 996 | 469 | 4,238 | 2,958 | 569 | 473 | 853 | 1,022 | 9,435 | 6,446 |
| Acquisitions | 1 | 1,044 | - | 464 | 8 | 908 | 1 | 84 | - | 51 | 10 | 2,551 |
| Divested operations | -36 | - | -4 | - | -64 | - | -1 | - | -4 | - | -109 | - |
| Capital expenditures | 21 | 100 | 17 | 11 | 301 | 265 | 112 | 90 | 892 | 608 | 1,343 | 1,074 |
| Capital expenditures, financial leasing | - | - | - | - | - | 1 | 4 | - | - | - | 4 | 1 |
| Divestments and disposals | -7 | -6 | 0 | -3 | -10 | -23 | -5 | -4 | - | -5 | -22 | -41 |
| Depreciation according to plan for the year | -166 | -141 | -3 | -3 | -673 | -590 | -148 | -134 | - | - | -990 | -868 |
| Impairment losses for the year, continuing operations | -15 | -10 | - | - | -37 | -41 | -1 | -1 | -4 | -6 | -57 | -58 |
| Impairment losses for the year, discontinuing operations | - | -69 | - | - | - | - | - | - | - | - | - | -69 |
| Reversed impairment losses | - | - | - | - | 0 | 4 | - | - | - | - | 0 | 4 |
| Reclassifications | 122 | 205 | - | 23 | 658 | 612 | 34 | 39 | -834 | -888 | -20 | -9 |
| Translation difference for the year | -79 | 132 | 21 | 35 | -64 | 144 | -5 | 22 | -23 | 71 | -150 | 404 |
| Carrying amount | 2,620 | 2,779 | 1,027 | 996 | 4,357 | 4,238 | 560 | 569 | 880 | 853 | 9,444 | 9,435 |

17 Intangible assets

Accounting policies

Intangible assets primarily comprise goodwill and patents, brands and licenses. These are recognized at cost less accumulated amortization and, where applicable, 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.

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 ventures/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 business combination giving rise to the goodwill item. These cash-generating units comprise the Group's investments in each primary segment.

Research and development

Expenditure for research and development 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. Other intangible assets are amortized straight line over their useful life, normally 5–15 years.

Impairment testing

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 expenses 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.

Critical estimates and judgments

The impairment requirement for goodwill implies that goodwill is tested annually in conjunction with the year-end financial statements, 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. The recoverable amount has been determined on the basis of calculations of value in use. These calculations are based on internal budgets and forecasts of the next five years. The most important assessments relate to sales growth during the forecast period and the operating margin trend. The assessments of management are based on both historical experience and current information relating to the market trend. Following the forecast period, the cash flows were extrapolated using an assumed sustainable rate of growth of 2 percent (2), which is in line with the assessed sustainable growth rate in the respective market. Changes in working capital and in capital expenditure requirements have also been taken into account. Projected future cash flows according to these assessments thus form the basis for the calculation. When calculating the present value of future cash flows, a weighted average cost of capital (WACC) of 7.20 percent (7.15) after tax was applied to all business areas. Since all of the segments have a similar risk profile and operate in the same markets, the risk in the cash flows is similar, which justifies use of the same return requirement. Reconciliation was also 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, given their conditions. A sensitivity analysis shows that, with a rate of growth reduced by 50 percent beyond the next five years or an increase in the cost of capital of 1 percentage point to 8.20 percent after tax, there would still be no need for impairment for any of the business areas, except for Trelleborg Offshore & Construction.

In the fourth quarter of 2017, the Group announced a number of strategic measures in the Trelleborg Offshore & Construction business area aimed at ensuring its leading position and competitiveness in the offshore oil & gas segment, where the market conditions have been challenging over an extended period and continue to be so. Trelleborg decided that manufacturing of subsea buoys for drilling equipment in deep-water environments would be gradually discontinued at the facility Houston, Texas, U.S. Production equipment will be transferred and consolidated with the U.K. operations in Skelmersdale, whose manufacturing focuses on other types of subsea buoys and engineered polymer solutions. The U.S. sales and development organization will remain in place. As a result of this decision, goodwill was impaired by SEK 353 M in the fourth quarter, which is recognized under items affecting comparability.

Intangible assets

| SEK M | 2017 | 2016 |
|---|---------------|---------------|
| Capitalized expenditure for development work | 360 | 383 |
| Capitalized expenditure for IT | 146 | 162 |
| Concessions, patents, licenses, trademarks and similar rights | 1,791 | 1,879 |
| Goodwill | 18,127 | 18,185 |
| Market and customer-related intangible assets | 2,409 | 2,510 |
| Advance payments related to intangible assets | 137 | 84 |
| Total | 22,970 | 23,203 |

Impairment losses on intangible assets

| SEK M | 2017 | 2016 |
|--------------------------|-------------|----------|
| Other operating expenses | -379 | - |
| Total | -379 | - |

Intangible assets by operating segment

| SEK M | Goodwill | | Other assets | | Total | |
|------------------------------------|---------------|---------------|--------------|--------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Trelleborg Coated Systems | 1,883 | 2,101 | 672 | 748 | 2,555 | 2,849 |
| Trelleborg Industrial Solutions | 1,865 | 1,792 | 555 | 698 | 2,420 | 2,490 |
| Trelleborg Offshore & Construction | 1,034 | 1,435 | 95 | 110 | 1,129 | 1,545 |
| Trelleborg Sealing Solutions | 6,577 | 6,627 | 476 | 532 | 7,053 | 7,159 |
| Trelleborg Wheel Systems | 5,551 | 5,200 | 2,474 | 2,348 | 8,025 | 7,548 |
| Rubena Savatech | 1,231 | 1,032 | 533 | 570 | 1,764 | 1,602 |
| Group items | -14 | -2 | 38 | 12 | 24 | 10 |
| Total | 18,127 | 18,185 | 4,843 | 5,018 | 22,970 | 23,203 |

In addition to goodwill, the Group has trademarks totaling SEK 1,741 M (1,798), most of which with non-finite useful lives.

| 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 | |
|---|--|------------|--------------------------------|------------|---|--------------|---------------|---------------|---|--------------|---|-----------|-------------------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Accumulated cost | 472 | 456 | 564 | 609 | 2,451 | 2,437 | 18,759 | 18,407 | 2,793 | 2,712 | 148 | 94 | 25,187 | 24,715 |
| Accumulated amortization according to plan | -112 | -73 | -417 | -447 | -631 | -554 | - | - | -384 | -202 | -11 | -10 | -1,555 | -1,286 |
| Accumulated impairment losses | - | - | -1 | - | -29 | -4 | -632 | -222 | - | - | - | - | -662 | -226 |
| Carrying amount | 360 | 383 | 146 | 162 | 1,791 | 1,879 | 18,127 | 18,185 | 2,409 | 2,510 | 137 | 84 | 22,970 | 23,203 |
| Balance, January 1 | 383 | 139 | 162 | 137 | 1,879 | 412 | 18,185 | 10,910 | 2,510 | 562 | 84 | 67 | 23,203 | 12,227 |
| Acquisitions | - | 249 | 1 | 2 | -158 | 1,415 | 258 | 6,503 | 97 | 1,987 | - | 12 | 198 | 10,168 |
| Divested operations | - | - | 0 | - | - | - | 2 | - | - | - | - | - | 2 | - |
| Capital expenditures | 7 | 10 | 10 | 20 | 6 | 1 | - | - | - | - | 71 | 43 | 94 | 74 |
| Divestments and disposals | -1 | - | -12 | 0 | -2 | - | - | - | - | - | - | - | -15 | - |
| Amortization according to plan for the year | -38 | -27 | -42 | -41 | -23 | -21 | - | - | -191 | -114 | - | - | -294 | -203 |
| Impairment losses for the year | - | - | -1 | - | -25 | - | -353 | - | - | - | - | - | -379 | - |
| Reclassifications | - | - | 28 | 39 | 11 | 12 | - | - | - | - | -19 | -42 | 20 | 9 |
| Translation difference for the year | 9 | 12 | 0 | 5 | 103 | 60 | 35 | 772 | -7 | 75 | 1 | 4 | 141 | 928 |
| Carrying amount | 360 | 383 | 146 | 162 | 1,791 | 1,879 | 18,127 | 18,185 | 2,409 | 2,510 | 137 | 84 | 22,970 | 23,203 |
| <i>Amortization for the year, by function</i> | | | | | | | | | | | | | | |
| Cost of goods sold | -23 | -13 | -7 | -7 | -7 | -7 | - | - | -83 | -46 | - | - | -120 | -73 |
| Selling expenses | - | - | -4 | -3 | -2 | -2 | - | - | -8 | -7 | - | - | -14 | -12 |
| Administrative expenses | 0 | 0 | -29 | -30 | -9 | -8 | - | - | -3 | -4 | - | - | -41 | -42 |
| Research & development costs | 0 | -1 | -1 | -1 | -3 | -3 | - | - | - | - | - | - | -4 | -5 |
| Other operating expenses | -15 | -13 | -1 | 0 | -2 | -1 | - | - | -97 | -57 | - | - | -115 | -71 |
| Total amortization | -38 | -27 | -42 | -41 | -23 | -21 | - | - | -191 | -114 | - | - | -294 | -203 |

18 Inventories

Accounting policies

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.

Critical estimates and judgments

The net realizable value is calculated as the estimated selling price less applicable variable selling expenses. Deductions are made for internal gains generated through intra-Group sales.

| SEK M | 2017 | 2016 |
|--|--------------|--------------|
| Raw materials and consumables | 1,415 | 1,340 |
| Work in progress | 560 | 558 |
| Finished products and goods for resale | 3,363 | 3,116 |
| Contracted work in progress | 35 | 28 |
| Advances to suppliers | 10 | 18 |
| Total | 5,383 | 5,060 |

Impairment of obsolete inventories amounted to SEK 435 M (434).

19 Current operating receivables

Accounting policies

Accounts receivable

Accounts receivable are financial assets that are not derivatives with fixed or determinable payments, and which are not quoted in an active market. 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. 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.

Critical estimates and judgments

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 are all considered to be indications that a bad debt provision may be required.

| SEK M | 2017 | 2016 |
|---|--------------|--------------|
| Accounts receivable | 5,110 | 4,824 |
| Provision for bad debts | -91 | -85 |
| Bills receivable | 116 | 88 |
| Operating receivables, associated companies | 2 | 2 |
| Other current receivables | 542 | 505 |
| Derivative instruments (Note 30) | 4 | -7 |
| Prepaid expenses and accrued income (Note 20) | 552 | 607 |
| Total | 6,235 | 5,934 |

Age analysis of accounts receivable

| SEK M | 2017 | 2016 |
|-------------------------|--------------|--------------|
| Receivables not yet due | 4,424 | 4,129 |
| Receivables fallen due: | | |
| <30 days | 438 | 445 |
| 31-60 days | 103 | 87 |
| 61-90 days | 45 | 27 |
| >90 days | 100 | 136 |
| Total | 5,110 | 4,824 |
| Provision for bad debts | -91 | -85 |
| Total | 5,019 | 4,739 |

Provision for bad debts

| SEK M | 2017 | 2016 |
|---|-----------|-----------|
| Opening balance | 85 | 74 |
| Reclassification between balance accounts | -2 | 0 |
| New provisions recognized in profit and loss | 29 | 21 |
| Utilization of reserve attributable to identified bad debt loss | -11 | -10 |
| Reversals recognized in profit and loss | -9 | -10 |
| Acquisitions/divestments | 0 | 5 |
| Translation difference | -1 | 5 |
| Closing balance | 91 | 85 |

20 Prepaid expenses and accrued income

| SEK M | 2017 | 2016 |
|----------------------------------|------------|------------|
| Interest | 3 | 1 |
| Pension costs | 8 | 9 |
| Tools | 20 | 22 |
| Derivative instruments (Note 30) | 52 | 21 |
| Accrued income | 156 | 294 |
| Prepaid insurance | 35 | 31 |
| Rents | 27 | 27 |
| Other | 251 | 202 |
| Total | 552 | 607 |

21 Accrued expenses and prepaid income

| SEK M | 2017 | 2016 |
|----------------------------------|--------------|--------------|
| Interest | 21 | 21 |
| Wages and salaries | 854 | 664 |
| Payroll overheads | 127 | 128 |
| Pension costs | 11 | 15 |
| Tools | 21 | 9 |
| Derivative instruments (Note 30) | 29 | 63 |
| Other | 788 | 764 |
| Total | 1,851 | 1,664 |

22 Non-interest-bearing liabilities

Accounting policies

Accounts payable are initially recognized at fair value and, thereafter, at amortized cost using the effective interest method.

Other non-current liabilities

| SEK M | 2017 | 2016 |
|--|------------|------------|
| Other non-interest-bearing liabilities | 13 | 19 |
| Derivative instruments (Note 30) | 98 | 122 |
| Total | 111 | 141 |

Other current liabilities

| SEK M | 2017 | 2016 |
|--|--------------|--------------|
| Advance payment from customers | 106 | 120 |
| Accounts payable | 3,176 | 2,699 |
| Bills payable | 6 | 9 |
| Liabilities to joint ventures/associated companies | 2 | 1 |
| Other non-interest-bearing liabilities | 516 | 454 |
| Derivative instruments (Note 30) | 42 | 50 |
| Accrued expenses and prepaid income (Note 21) | 1,851 | 1,664 |
| Total | 5,699 | 4,997 |
| Total non-interest-bearing liabilities | 5,810 | 5,138 |

23 Other provisions

Accounting policies

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. 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.

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.

Critical estimates and judgments

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.

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.

| SEK M | Restructuring programs | | Other provisions | | Total | |
|--|------------------------|-----------|------------------|------------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Opening balance | 66 | 94 | 489 | 298 | 555 | 392 |
| Reclassification | 17 | – | –35 | –3 | –18 | –3 |
| Reversals | –19 | – | –54 | –36 | –73 | –36 |
| Provisions for the year | 271 | 49 | 139 | 230 | 410 | 279 |
| Acquisitions for the year | 19 | – | – | 173 | 19 | 173 |
| Divestments for the year | – | – | –1 | – | –1 | 0 |
| Utilized during the year | –44 | –81 | –186 | –191 | –230 | –272 |
| Translation difference | –8 | 4 | 3 | 18 | –5 | 22 |
| Closing balance | 302 | 66 | 355 | 489 | 657 | 555 |
| Of which, non-current provisions | | | | | 228 | 221 |
| Of which, current provisions | | | | | 429 | 334 |
| Of which, provisions for environmental commitments | | | | | 60 | 61 |

Closing balances for restructuring programs relate primarily to reorganizations and the focusing of operations in Trelleborg Offshore & Construction and Trelleborg Industrial Solutions.

Closing balances for other provisions relate primarily to environmental commitments and guarantee provisions.

Capital structure and financing

24 Cash and cash equivalents

Accounting policies

Cash and cash equivalents consist of cash balances and balances with banks and other institutes maturing within three months from the date of acquisition, as well as short-term liquid investments with a maturity, from the date of acquisition, of less than three months, and which are exposed to a minimal risk of fluctuations in value.

| SEK M | 2017 | 2016 |
|--------------------------|--------------|--------------|
| Current bank investments | 1,296 | 414 |
| Cash and bank balances | 698 | 1,465 |
| Total | 1,994 | 1,879 |

The fair value of cash and cash equivalents corresponds to the carrying amount. For more information about credit exposure in cash and cash equivalents, see Note 31.

25 Financial non-current assets

Accounting policies

Loan receivables are financial assets that are not derivatives with fixed or determinable payments, and which are not quoted in an active market. Loan receivables are initially measured at fair value and, subsequently, at amortized cost by applying the effective interest method, less any provisions for impairment.

Impairment of financial assets

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.

| SEK M | 2017 | 2016 |
|----------------------------------|-----------|------------|
| Plan assets | 8 | 20 |
| Loan receivables | 3 | 351 |
| Derivative instruments (Note 30) | 7 | – |
| Other non-current receivables | 39 | 37 |
| Total | 57 | 408 |

Carrying amount corresponds to fair value.

26 Interest-bearing receivables

| SEK M | 2017 | 2016 |
|----------------------------------|------------|------------|
| Loan receivables | 693 | 364 |
| Derivative instruments (Note 30) | 151 | 240 |
| Current bank investments | 0 | 174 |
| Total | 844 | 778 |

The majority (SEK 689 M) of the loan receivables, recognized at fair value, is linked to Vibracoustic's realized sales development in 2017. Refer to note 29. Derivative instruments are measured at fair value.

27 Equity

Accounting policies

Costs arising in connection with new share issues and the repurchase of equity instruments 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 canceled, the share capital is reduced by an amount corresponding to the par value of the shares and profit brought forward is increased by the corresponding amount.

Specification of other reserves

| SEK M | Hedging reserve | | Translation reserve | | Total | |
|---|-----------------|-------------|---------------------|--------------|--------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Opening balance, translation differences | –121 | –289 | 1,008 | –138 | 887 | –427 |
| <i>Cash-flow hedging</i> | | | | | | |
| Fair value | 40 | 160 | – | – | 40 | 160 |
| Tax on fair value | –9 | 4 | – | – | –9 | 4 |
| Transfers to profit and loss | 35 | 5 | – | – | 35 | 5 |
| Tax on transfers to profit and loss | –7 | –1 | – | – | –7 | –1 |
| Changes for the year attributable to translation of companies after tax | – | – | 290 | 1,538 | 290 | 1,538 |
| Hedging of net investment after tax | – | – | –12 | –392 | –12 | –392 |
| Closing balance | –62 | –121 | 1,286 | 1,008 | 1,224 | 887 |

Accumulated translation differences are recognized from January 1, 2004.

Of transfers from the hedging reserve to profit and loss during 2017, SEK 9 M (0) caused a decline in the Group's financial interest expenses and SEK 26 M (5) caused a decline in EBIT. These effects are offset by earnings effects from the hedged items.

The Board of Directors proposes that a dividend of SEK 4.50 (4.25) per share be paid, totaling SEK 1,220 M (1,152).

Trelleborg AB's share capital at December 31, 2017 amounted to SEK 2,620,360,569, represented by 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 |
|----------------|--------------------|---------------|--------------------|---------------|
| Series A | 28,500,000 | 10.51 | 285,000,000 | 54.02 |
| Series B | 242,571,783 | 89.49 | 242,571,783 | 45.98 |
| Total | 271,071,783 | 100.00 | 527,571,783 | 100.00 |

| Change in total number of shares | 2017 | 2016 |
|----------------------------------|--------------------|--------------------|
| January 1 | 271,071,783 | 271,071,783 |
| Change during the year | – | – |
| December 31 | 271,071,783 | 271,071,783 |

No treasury shares are held.

28 Interest-bearing liabilities

Accounting policies

Borrowings are initially measured 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. For accounting policies relating to derivative instruments, refer to Note 30.

Interest-bearing non-current liabilities

| SEK M | 2017 | 2016 |
|------------------------------------|--------------|--------------|
| Liabilities to credit institutions | 7,989 | 9,719 |
| Other interest-bearing liabilities | 62 | 114 |
| Derivative instruments (Note 30) | 46 | 19 |
| Total | 8,097 | 9,852 |

Interest-bearing current liabilities

| SEK M | 2017 | 2016 |
|---|---------------|---------------|
| Liabilities to credit institutions | 3,687 | 4,914 |
| Bank overdraft facilities | 514 | 52 |
| Other interest-bearing liabilities | 57 | 106 |
| Derivative instruments (Note 30) | 79 | 210 |
| Total | 4,337 | 5,282 |
| Total interest-bearing liabilities | 12,434 | 15,134 |

Financial interest-bearing liabilities, with the exception of financial derivatives that adjust the loans, are recognized at amortized cost. Changes in interest rates and credit margins create differences between the fair value and amortized cost. A calculation at fair value would increase the Group's long-term loans by SEK 65 M. The Group's current loans were not remeasured because the carrying amount is considered to be a good estimation of the fair value due to their short maturity.

The Group's outstanding interest-bearing liabilities at December 31, 2017, 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 | |
|--------------|-----------------|---------------|-------------------------------|------------|---|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| EUR | 5,669 | 7,004 | 1.8 | 1.2 | 1,002 | 790 |
| GBP | 313 | 390 | 2.6 | 2.3 | 1,153 | 814 |
| SEK | 535 | 2,760 | 3.7 | 1.0 | 2,849 | 554 |
| USD | 5,003 | 5,752 | 2.8 | 2.6 | 876 | 568 |
| Other | 914 | -772 | -0.3 | 1.6 | 47 | 46 |
| Total | 12,434 | 15,134 | 2.2 | 1.7 | 964 | 701 |

The Group's interest-bearing liabilities (utilized amounts at closing date)

| | 2017 | | 2016 | |
|--|---------------|--------------|---------------|--------------|
| | SEK M | Expiry, year | SEK M | Expiry, year |
| Non-current | | | | |
| Syndicated loan, EUR tranche EUR 529 M | 372 | 2020 | 2,279 | 2020 |
| Syndicated loan, USD tranche USD 563 M | 1,608 | 2020 | 1,471 | 2020 |
| Syndicated loan, EUR tranche EUR 31 M | 21 | 2019 | 115 | 2019 |
| Syndicated loan, USD tranche USD 62 M | 179 | 2019 | 163 | 2019 |
| Medium Term Note SEK 550 M | 549 | 2021 | 549 | 2021 |
| Medium Term Note SEK 450 M | 449 | 2021 | 449 | 2021 |
| Medium Term Note SEK 300 M | 300 | 2022 | 300 | 2022 |
| Medium Term Note SEK 200 M | 200 | 2022 | 200 | 2022 |
| Medium Term Note SEK 300 M | 300 | 2023 | 300 | 2023 |
| Medium Term Note SEK 501 M | 501 | 2019 | 479 | 2018 |
| Medium Term Note EUR 50 M | – | – | 478 | 2021 |
| Medium Term Note EUR 50 M | 492 | 2021 | 431 | 2021 |
| Medium Term Note EUR 45 M | 443 | 2021 | – | – |
| Schuldscheindarlehen EUR 41 M + EUR 14 M | 542 | 2019 | 527 | 2019 |
| Schuldscheindarlehen EUR 24.5 M + EUR 55 M | 783 | 2021 | 761 | 2021 |
| Schuldscheindarlehen EUR 77 M + EUR 20 M | 955 | 2023 | 929 | 2023 |
| Schuldscheindarlehen EUR 29 M | 286 | 2026 | 278 | 2026 |
| Capitalized borrowing costs | -30 | 2019–2026 | -42 | 2018–2026 |
| Other interest-bearing liabilities | 101 | 2019 | 166 | 2018 |
| Derivative instruments | 46 | 2019 | 19 | 2018 |
| Total non-current | 8,097 | | 9,852 | |
| Current | | | | |
| Commercial paper program | 2,456 | 2018 | 3,143 | 2017 |
| Medium Term Note EUR 110 M | – | – | 1,053 | 2017 |
| Medium Term Note EUR 50 M | 492 | 2018 | – | – |
| Bank overdraft facilities | 514 | 2018 | 52 | 2017 |
| Other current loans | 739 | 2018 | 718 | 2017 |
| Other interest-bearing liabilities | 57 | 2018 | 106 | 2017 |
| Derivative instruments | 79 | 2018 | 210 | 2017 |
| Total current | 4,337 | | 5,282 | |
| Total | 12,434 | | 15,134 | |

Committed confirmed and uncommitted confirmed loan facilities*

| SEK M | 2017 | | | 2016 | | |
|--|---------------|--------------|---------------|---------------|--------------|--------------|
| | Total | Utilized | Unutilized | Total | Utilized | Unutilized |
| Committed confirmed credit facilities | | | | | | |
| Syndicated loan EUR 529 M + USD 563 M (expires 2020) | 9,845 | 1,980 | 7,865 | 11,955 | 3,750 | 8,205 |
| Syndicated loan EUR 31 M + USD 62 M (expires 2019) | 816 | 200 | 616 | 914 | 278 | 636 |
| Syndicated loan CZK 6,750 M (expires 2022) | 2,598 | 0 | 2,598 | – | – | – |
| Bilateral credit facilities | 739 | 739 | – | 718 | 718 | – |
| Overdraft facilities (expire 2018) | 373 | 121 | 252 | 386 | 16 | 370 |
| Total | 14,371 | 3,040 | 11,331 | 13,973 | 4,762 | 9,211 |
| Uncommitted confirmed loan facilities | | | | | | |
| Bank overdraft facilities | 1,540 | 394 | 1,146 | 1,535 | 36 | 1,499 |

The EUR 560 M and USD 625 M syndicated loan, most of which matures in 2020, and CZK 6,750 M syndicated loan maturing in 2022 are both subject to financial covenants that stipulates a maximum debt/equity ratio. At year-end 2017, there was ample headroom in relation to these covenants.

* Loan facilities are defined as committed confirmed if they are confirmed in writing and subject to a firm commitment to lend by the facility provider. Loan facilities are defined as uncommitted confirmed if they are confirmed in writing but not subject to a firm commitment to lend by the facility provider.

29 Financial instruments by category and measurement level

Accounting policies

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, loan receivables and accounts receivable 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.

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 in profit and loss as a financial item. Only derivatives were recognized in this category during the year.

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 EBIT, while exchange rate differences on financial receivables and liabilities are classified as financial items. See also Note 1 for translation of foreign currencies.

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. This legal right may not be dependent on future events and it must be legally binding for the company and the counterparty in the normal business operations and also in the event of payment cancellation, insolvency or bankruptcy.

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.

Other financial instruments

Accounting policies for the financial instruments not addressed here can be found under the relevant note.

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, 2017 | Assets at fair value in profit and loss | | Derivatives used for hedging purposes | | Total |
|------------------------------------|--|-----------------|---------------------------------------|-----------------|--------------------|
| | Loan receivable and accounts receivables | Carrying amount | Measure-ment level | Carrying amount | Measure-ment level |
| SEK M | | | | | SEK M |
| <i>Assets in the balance sheet</i> | | | | | |
| Derivative instruments | – | 46 | 2 | 168 | 2 |
| Financial non-current assets | 3 | – | | – | 3 |
| Accounts receivable | 5,019 | – | | – | 5,019 |
| Interest-bearing receivables | 4 | 689 | 3 | – | 693 |
| Cash and cash equivalents | 1,994 | – | | – | 1,994 |
| Total | 7,020 | 735 | | 168 | 7,923 |

| At December 31, 2017 | Liabilities at fair value in profit and loss | | Derivatives used for hedging purposes | | Total |
|--|--|-----------------|---------------------------------------|-----------------|--------------------|
| | Other financial liabilities | Carrying amount | Measure-ment level | Carrying amount | Measure-ment level |
| SEK M | | | | | SEK M |
| <i>Liabilities in the balance sheet</i> | | | | | |
| Derivative instruments | – | 111 | 2 | 183 | 2 |
| Interest-bearing non-current liabilities | 8,051 | – | | – | 8,051 |
| Interest-bearing current liabilities | 4,258 | – | | – | 4,258 |
| Accounts payable | 3,176 | – | | – | 3,176 |
| Total | 15,485 | 111 | | 183 | 15,779 |

The receivable, totaling SEK 689 M, linked to Vibracoustic's realized sales development in 2017 was classified as Level 3 in the fair-value hierarchy due to the content of unobservable inputs, including the counterparty's credit risk.

Essentially all other financial assets and liabilities fair valued at the balance sheet date are 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.

Disclosures on fair value of borrowing and other financial instruments

Financial interest-bearing liabilities, with the exception of financial derivatives that adjust the loans, are recognized at amortized cost. Changes in interest rates and credit margins create differences between the fair value and amortized cost. A calculation at fair value would increase the Group's long-term loans by SEK 65 M. The Group's current loans were not remeasured because the carrying amount is considered to be a good estimation of the fair value due to their short maturity.

| At December 31, 2016 | Assets at fair value in profit and loss | | Derivatives used for hedging purposes | | Total |
|------------------------------------|--|-----------------|---------------------------------------|-----------------|--------------------|
| | Loan receivable and accounts receivables | Carrying amount | Measure-ment level | Carrying amount | Measure-ment level |
| SEK M | | | | | SEK M |
| <i>Assets in the balance sheet</i> | | | | | |
| Derivative instruments | – | 48 | 2 | 206 | 2 |
| Financial non-current assets | 3 | 348 | 3 | – | 351 |
| Accounts receivable | 4,739 | – | | – | 4,739 |
| Interest-bearing receivables | 181 | 357 | 3 | – | 538 |
| Cash and cash equivalents | 1,879 | – | | – | 1,879 |
| Total | 6,802 | 753 | | 206 | 7,761 |

| At December 31, 2016 | Liabilities at fair value in profit and loss | | Derivatives used for hedging purposes | | Total |
|--|--|-----------------|---------------------------------------|-----------------|--------------------|
| | Other financial liabilities | Carrying amount | Measure-ment level | Carrying amount | Measure-ment level |
| SEK M | | | | | SEK M |
| <i>Liabilities in the balance sheet</i> | | | | | |
| Derivative instruments | – | 237 | 2 | 227 | 2 |
| Interest-bearing non-current liabilities | 9,833 | – | | – | 9,833 |
| Interest-bearing current liabilities | 5,072 | – | | – | 5,072 |
| Accounts payable | 2,699 | – | | – | 2,699 |
| Total | 17,604 | 237 | | 227 | 18,068 |

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.

| | At December 31, 2017 | | | At December 31, 2016 | | |
|--|----------------------|-----------------------|------------|----------------------|-----------------------|-------------|
| | Financial assets | Financial liabilities | Total | Financial assets | Financial liabilities | Total |
| SEK M | | | | | | |
| Gross amount | 222 | –303 | –81 | 254 | –464 | –210 |
| Amount offset | – | – | – | – | – | – |
| Recognized in balance sheet | 222 | –303 | –81 | 254 | –464 | –210 |
| Amounts encompassed by netting agreements | –193 | 193 | 0 | –196 | 196 | 0 |
| Net amount after netting agreements | 29 | –110 | –81 | 58 | –268 | –210 |

30 Financial derivative instruments

Accounting policies

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.

Derivative instruments are used mainly to hedge the Group's exposure to fluctuations in exchange rates and interest rates. The Group also uses derivatives for commercial trade within the framework of the mandates determined 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 and basis swaps are used to secure the desired financing adapted to the subsidiaries' currencies. Interest rate swaps and basis swaps are used to obtain the desired fixed-interest terms.

Foreign-exchange forwards are used to hedge currency exposure in both fixed commercial undertakings and calculated future commercial flows.

Investments in foreign subsidiaries and joint ventures/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 | 2017 | 2016 |
|--|------------|------------|
| Financial non-current assets | 7 | – |
| Prepaid expenses and accrued income | 52 | 21 |
| Current operating receivables | 4 | –7 |
| Interest-bearing receivables | 151 | 240 |
| Total receivables, financial derivatives | 214 | 254 |
| Other non-current liabilities | 98 | 122 |
| Interest-bearing non-current liabilities | 46 | 19 |
| Accrued expenses and prepaid income | 29 | 63 |
| Other current operating liabilities | 42 | 50 |
| Interest-bearing current liabilities | 79 | 210 |
| Total liabilities, financial derivatives | 294 | 464 |

For credit exposure in derivatives, see Note 31.

| SEK M Type and purpose of Group's financial derivative instruments | 2017 | | 2016 | |
|--|----------------------|---------------------------|----------------------|---------------------------|
| | Assets Fair value | Liabilities Fair value | Assets Fair value | Liabilities Fair value |
| Interest rate swaps | | | | |
| – cash-flow hedging | 5 | 137 | – | 161 |
| Foreign-exchange forwards | | | | |
| – cash-flow hedging | 57 | 29 | 20 | 66 |
| Foreign-exchange forwards | | | | |
| – net investment hedging | 106 | 17 | 186 | – |
| Basis swap contracts | | | | |
| – financing of subsidiaries | 1 | 48 | 1 | 24 |
| Foreign-exchange forwards | | | | |
| – financing of subsidiaries | 45 | 63 | 47 | 213 |
| Total | 214 | 294 | 254 | 464 |

The nominal amount of interest-rate swaps outstanding totaled SEK 7,596 M (7,009).

Derivatives with hedge accounting

Cash-flow hedging – Interest rate swaps

In the closing balance of the hedging reserve in equity, a negative SEK 104 M (neg: 130) 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 13 M in 2018, by SEK 4 M in 2019, by SEK 22 M in 2020, by SEK 15 M in 2021, by SEK 25 M in 2022, by SEK 9 M in 2023, by SEK 9 M in 2024, by SEK 0 M in 2025 and by SEK 7 M in 2026. These effects are offset by earnings effects from the hedged items.

Cash-flow hedges – foreign-exchange forwards

The fair-value closing balance of cash-flow hedges relating to foreign-exchange forwards attributable to transaction exposure and recognized in the hedging reserve amounted to a net of SEK 22 M (neg: 27).

At unchanged exchange rates, a transfer of SEK 20 M will be made in profit or loss in 2018 and SEK 2 in 2019, which will be offset by the earnings effects from the hedged transactions.

Sensitivity analysis – Financial instruments

Sensitivity analyses relating to interest-rate risks and translation risks are presented in Note 31.

If cash-flow hedges related to transaction exposure were valued using exchange rates applicable on December 31, 2016, the fair value would amount to SEK 51 M (51), of which SEK 38 M (51) would be included in the hedging reserve.

Taking into account implemented hedging measures, the Group has no currency risk in other financial receivables and liabilities in foreign currencies.

Financial risks

31 Financial risk management

Accounting policies

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 EBIT 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 hedging instruments 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."

Financing risks and liquidity risks

Financial risks mainly include financing risks, liquidity risks, interest rate risks, foreign exchange risks and financial credit risks. A description of the Group's financial risks and the policy applied to each risk area is presented below. Commentary is also provided on the outcome for the year for each risk area.

Risk

Financing risk is the risk that the refinancing of maturing loans may become difficult or costly. Liquidity risks refer to the risk of not being able to fulfill payment obligations as they fall due.

Policy

Committed confirmed 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.

Commentary

Trelleborg commands a broad funding base with good access to the money and debt capital markets. The Group has mainly accessed the bank loan market via a syndicated multicurrency revolving credit facility comprising

two tranches in EUR 560 M (SEK 5,516 M) and USD 625 M (SEK 5,145 M) and including a swingline facility denominated in SEK. Trelleborg is present in the money markets through its SEK 4 billion Swedish Domestic Paper Program under which a pleasing level of issuance was maintained throughout 2017. Over the years, Trelleborg has successfully tapped the debt capital markets through issuance under its SEK 5 billion Swedish Domestic Medium Term Note Program and a number of Schuldschein issues, thus building a broad investor base in Europe and Asia. On account of Trelleborg's significant presence in the Czech Republic, the Group strengthened its long-term financing by agreeing a new syndicated facility denominated in czk during the year.

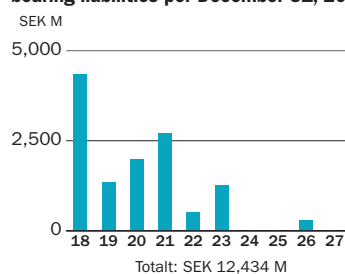
The Group monitors its liquidity reserve, debt maturity term structure and key capital structure ratios on an ongoing basis.

Throughout 2017, the volume of the Group's committed confirmed credit facilities exceeded the aggregate of gross debt plus liquidity reserve as stipulated in the policy. Credit facilities are defined as committed confirmed when they are not only confirmed in writing but also the subject of a firm commitment to lend by the facility provider. Trelleborg's committed confirmed credit facilities totaled SEK 14,371 M (13,973) per December 31, 2017 of which SEK 11,331 M (9,211) was unutilized. At year-end 2017, the Group's committed confirmed credit facilities included its primary EUR 560 M and USD 625 M syndicated multicurrency revolving credit facility. 95 percent of the facility's EUR tranche and 90 percent of the facility's USD tranche are scheduled to mature in December 2020 while the remaining portions will mature in December 2019. The facility is provided by a total of 16 financial institutions from Europe, Asia and the U.S. Based on the number of participating banks and their standing, Trelleborg deems that the banking syndicate behind the facility is strong. The new facility denominated in czk amounts to czk 6,750 M and will mature in May 2022. The facility can thereafter be extended by a maximum of two more years subject to agreement with the lenders.

The remainder of the Group's committed confirmed credit facilities per end 2017 consisted principally of Medium Term Notes and Schuldscheindarlehen with tenors to maturity of up to nine years.

On July 10, 2017, Trelleborg issued an SEK 500 M Medium Term Note with a two-year tenor. Per December 2017, the Group's interest-bearing liabilities totaled SEK 12,434 M (15,134) and comprised current liabilities (maturing in 2018) of SEK 4,337 M (5,282) and non-current liabilities (maturing after 2018) of SEK 8,097 M (9,852). Current liabilities consisted mainly of outstanding Commercial Paper of SEK 2,456 M (3,143), a bilateral money market loan of SEK 739 M (718) and a Medium Term Note of SEK 492 M (1,053). The aggregate of these current liabilities was backstopped through the undrawn portion of the Group's EUR 560 M and USD 625 M syndicated multicurrency revolving credit facility. Non-current liabilities mainly comprised the utilized portion of the Group's EUR 560 M and USD 625 M syndicated multicurrency revolving credit facility, Medium Term Notes and Schuldscheindarlehen. The maturity term structure of the Group's interest-bearing liabilities per December 31, 2017 is shown in the diagram below:

Maturity term structure of the Group's interest-bearing liabilities per December 31, 2017



The Group's net debt/equity ratio amounted to 35 percent (48) at year-end.

Interest rate risk

Risk

Since most of Trelleborg's net debt bears variable interest, the Group focuses on interest-related cash-flow risk, 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.

Policy

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 effects of derivative instruments, may not exceed two years at a maximum amount of SEK 2,000 M, or the equivalent amount in other currencies.

Commentary

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.

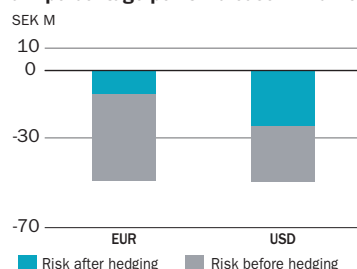
The Group's average interest-bearing net debt amounted to SEK 11,149 M (10,440) during the year. Net financial items corresponded to 2.1 percent (2.0) of the average interest-bearing net debt. Net interest income excluding borrowing costs corresponded to 1.8 percent (1.4).

At year-end, gross loans, including derivative instruments, had an average fixed-interest term of 32 months (23) and interest-bearing investments 1 month (3).

At December 31, 2017, interest-bearing net debt amounted to SEK 9,593 M (12,125), with an average remaining fixed-interest term of about 41 months (28). Based on the level of interest-bearing net debt on December 31, 2017, 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 24 M (neg: 72) for 2018. The currencies with the greatest impact are EUR and USD. Taking into account the interest-rate hedges in place at year-end 2017, 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 165 M (184) after tax effects.

For further analysis of the accounting of the Group's borrowing, see Note 28. Outstanding interest-bearing investments are recognized in Notes 24, 25 and 26.

Impact in 2018 on consolidated interest expenditure of a 1 percentage point increase in market interest rates



Foreign exchange risks

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.

Transaction risks

Risk

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.

Policy

Group companies must generally hedge between 50 and 100 percent of the 12-month forecast net flows on a rolling basis. Deviations from the rule are permitted in the event that currency hedging is not practicable in relation to a currency and/or in the event it is associated with excessive costs. Subsidiaries are to conduct this hedging through Group Treasury.

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 exposure 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.

Commentary

The Group's net currency flows are estimated at an annual value corresponding to approximately SEK 5,513 M (5,377). 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 January 2018, and the amounts hedged per currency pair at December 31, 2017 are shown in the table below.

For the stated period, the currencies with the highest forecast net flows are EUR (SEK 2,486 M equivalent), USD (SEK 923 M equivalent) and CZK (negative SEK 1,305 M equivalent).

Forecast annual exposure per currency pair with the highest 12-month net flow from January 2018, and currency hedges as of December 31, 2017, (SEK M)

| Currency pair | Net flow | Currency hedging | Net flow after currency hedging |
|---------------|----------|------------------|---------------------------------|
| EUR/CZK | 1,405 | -1,127 | 278 |
| EUR/DKK | 506 | -511 | -5 |
| EUR/LKR | 335 | | 335 |
| EUR/GBP | 313 | -299 | 14 |
| USD/CZK | -308 | 249 | -59 |
| USD/CNY | 288 | -48 | 240 |
| USD/SEK | 245 | -262 | -17 |
| EUR/USD | -228 | 200 | -28 |
| EUR/ZAR | -186 | | -186 |
| GBP/USD | -168 | 134 | -34 |

A 10-percentage-point strengthening of the value of all foreign currency flows that Trelleborg forecasts to occur during 2018 against USD would lead to a change in USD-denominated net flows of a negative USD 5 M (neg: 6). A 10-percentage-point strengthening of the value of all foreign currency flows that Trelleborg forecasts to occur during 2018 against EUR would lead to a change in EUR-denominated net flows of a negative EUR 6 M (neg: 11).

Translation risks – Income statement

Risk

Exchange rate fluctuations impact the Group's earnings in connection with the translation of foreign subsidiaries' income statements to SEK.

Policy

The Group does not normally hedge this risk.

Commentary

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. The translation of foreign subsidiaries' income statements for 2016 to the average exchange rates for 2017 would have impacted EBIT for continuing operations by SEK 0 M and net profit by a negative amount of SEK 6 M.

Translation of income statement for 2016 to exchange rates applicable in 2017, SEK M

| Currency | Net sales | EBIT | Net profit |
|--------------|------------|----------|------------|
| EUR | 155 | 15 | 8 |
| GBP | -110 | -14 | -10 |
| USD | -26 | -9 | -18 |
| CZK | 89 | 15 | 19 |
| Other | 30 | -7 | -5 |
| Total | 138 | 0 | -6 |

Translation risks – Balance sheet

Risk

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.

Policy

Investments in foreign subsidiaries and joint venture/associated companies may be hedged by between 0 and 100 percent of the investment value (which, because of the tax effect, implies a maximum hedge of approximately 78 percent of the investment value). Decisions on any hedging are made following a comprehensive assessment of exchange rate levels, the effects of costs, liquidity and tax, and impact on the Group's debt/equity ratio.

Commentary

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 286 M (neg: 285).

Currency distributions, degree of hedging and sensitivity analysis are presented on the next page.

Currency distributions, degree of hedging and sensitivity analysis per December 31, 2017

| Currency | Net investment, SEK M | Currency hedging, % | Effect on equity, if SEK 1% stronger, SEK M |
|-------------------|--------------------------|------------------------|---|
| EUR | 14,324 | 57 | -80 |
| GBP | 2,133 | 29 | -16 |
| USD | 3,639 | 44 | -24 |
| CZK | 9,567 | 14 | -85 |
| Other | 8,908 | 11 | -81 |
| Total 2017 | 38,571 | 33 | -286 |
| Total 2016 | 38,172 | 32 | -285 |

The Group's positions regarding hedging of investments in foreign subsidiaries are regularly monitored and adjusted. Correlations between currencies are taken into consideration when appropriate.

Financial credit risk

Risk

Credit risk can be split up into operating and financial credit risk. Operating credit risk is presented in Note 19. Financial credit risk is the risk of losses if those counterparties with which the Group has invested in cash and cash equivalents, short-term bank deposits or entered into financial instruments with positive market values, do not fulfill their obligations.

Policy

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.

Commentary

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. A follow-up in relation to credit limits is conducted on an ongoing basis.

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, 2017 subdivided by category:

Financial credit risk exposure

| Category SEK M | Interest-bearing receivables | | Cash and cash equivalents | | Derivative instru- ments – unrealized gains, gross | | Total | |
|-------------------|---------------------------------|------------|------------------------------|--------------|--|------------|--------------|--------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| A | – | – | 427 | 495 | 49 | 43 | 476 | 538 |
| B | 0 | 174 | 1,219 | 905 | 141 | 211 | 1,360 | 1,290 |
| C | – | – | 348 | 478 | 32 | – | 380 | 478 |
| Total | 0 | 174 | 1,994 | 1,878 | 222 | 254 | 2,216 | 2,306 |

At year-end 2017, cash and cash equivalents in category B were allocated among 30 counterparties. Credit exposures in category B amounted to less than SEK 500 M per counterparty, with the exception of SEK 17 M in one of the Group's principal banks. The total credit exposure in category C at year-end 2017 was divided among more than 48 counterparties. Credit exposures in category C amounted to less than SEK 50 M per counterparty, with the exception of SEK 11 M in one of the Group's principal banks.

Credit risk exposure associated with derivative instruments is determined as the fair value on the closing date. On December 31, 2017, the total counterparty risk associated with derivative instruments amounted to SEK 222 M (254), gross. If ISDA agreements are taken into account and the net receivable in derivative instruments is calculated net per counterparty, the counterparty risk amounted to SEK 29 M (58).

In addition to the amounts presented in the table above, the Group also has interest-bearing receivables of SEK 696 M (716) due from third parties, the majority of which was attributable to the deferred purchase consideration relating to the divestment of Vibracoustic carried out in 2016.

With the exception of what was described above, no credit limits were exceeded in 2017 or 2016 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.

At December 31, 2017

| SEK M | Less than 1 year | Between 1 and 5 years | More than 5 years | Total |
|---|---------------------|--------------------------|----------------------|----------------|
| Borrowing, incl. interest | -4,408 | -8,146 | -299 | -12,853 |
| Interest-rate swaps with negative fair value | -72 | -75 | 6 | -141 |
| Accounts payable | -3,176 | – | – | -3,176 |
| Total | -7,656 | -8,221 | -293 | -16,170 |
| Accounts receivable | 5,019 | – | – | 5,019 |
| Interest-rate swaps with positive fair value | – | – | – | – |
| Net flow | -2,637 | -8,221 | -293 | -11,151 |

A more detailed maturity structure is presented in Note 28.

At December 31, 2016

| SEK M | Less than 1 year | Between 1 and 5 years | More than 5 years | Total |
|---|---------------------|--------------------------|----------------------|----------------|
| Borrowing, incl. interest | -5,220 | -8,885 | -1,537 | -15,642 |
| Interest-rate swaps with negative fair value | -65 | -84 | 2 | -147 |
| Accounts payable | -2,699 | – | – | -2,699 |
| Total | -7,984 | -8,969 | -1,535 | -18,488 |
| Accounts receivable | 4,739 | – | – | 4,739 |
| Interest-rate swaps with positive fair value | – | – | – | – |
| Net flow | -3,245 | -8,969 | -1,535 | -13,749 |

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, 2017

| SEK M | Less than 1 year | Between 1 and 5 years | More than 5 years | Total |
|----------------------------|---------------------|--------------------------|----------------------|-----------|
| Foreign-exchange contracts | | | | |
| – outflow | -28,934 | -70 | – | -29,004 |
| – inflow | 29,024 | 73 | – | 29,097 |
| Basis swap contracts | | | | |
| – outflow | -4 | -1,104 | – | -1,108 |
| – inflow | 4 | 1,057 | – | 1,061 |
| Total | 90 | -44 | – | 46 |

At December 31, 2016

| SEK M | Less than 1 year | Between 1 and 5 years | More than 5 years | Total |
|----------------------------|---------------------|--------------------------|----------------------|------------|
| Foreign-exchange contracts | | | | |
| – outflow | -26,633 | – | – | -26,633 |
| – inflow | 26,589 | – | – | 26,589 |
| Basis swap contracts | | | | |
| – outflow | -3 | -579 | – | -582 |
| – inflow | 4 | 561 | – | 565 |
| Total | -43 | -18 | – | -61 |

Other

32 Contingent liabilities and pledged assets

| SEK M | 2017 | 2016 |
|---|-----------|-----------|
| <i>Contingent liabilities</i> | | |
| Pension obligations | 6 | 5 |
| Guarantees and other contingent liabilities | 19 | 8 |
| Total | 25 | 13 |
| <i>Pledged assets</i> | | |
| Plant and machinery | 0 | 1 |
| Total | 0 | 1 |

Parent Company income statements

| SEK M | Note | 2017 | 2016 |
|-----------------------------------|------------|-------------|-------------|
| Administrative expenses | 35, 39, 44 | -278 | -313 |
| Other operating income | 34 | 466 | 477 |
| Other operating expenses | 34 | -276 | -309 |
| EBIT | 33 | -88 | -145 |
| Financial income and expenses | 36 | -262 | -273 |
| Loss after financial items | | -350 | -418 |
| Appropriations | 53 | 835 | 450 |
| Income tax | 37 | -62 | 34 |
| Net profit | | 423 | 66 |

Statements of comprehensive income

| SEK M | 2017 | 2016 |
|-----------------------------------|------------|-----------|
| Net profit | 423 | 66 |
| Other comprehensive income | - | - |
| Total comprehensive income | 423 | 66 |

Cash-flow statements

| SEK M | 2017 | 2016 |
|--|-------------|-------------|
| <i>Operating activities</i> | | |
| EBIT | -88 | -145 |
| Adjustment for items not included in cash flow: | | |
| Depreciation of property, plant and equipment | 2 | 3 |
| Amortization of intangible assets | 1 | 1 |
| Divestments and disposals | 0 | 0 |
| Other items not included in cash flow | 29 | 37 |
| | -56 | -104 |
| Cash dividend received | 770 | 344 |
| Interest received and other financial items | 0 | 4 |
| Interest paid and other financial items | -421 | -414 |
| Tax paid/received | 1 | 0 |
| Cash flow from operating activities before changes in working capital | 294 | -170 |
| <i>Cash flow from changes in working capital</i> | | |
| Change in operating receivables | 62 | -23 |
| Change in operating liabilities | 2 | -67 |
| Cash flow from operating activities | 358 | -260 |
| <i>Investing activities</i> | | |
| Acquisition of subsidiaries/capital contribution | -802 | -46 |
| Divestment of subsidiaries | 498 | 0 |
| Gross capital expenditures for property, plant and equipment | -1 | 0 |
| Gross capital expenditures for intangible assets | -8 | - |
| Cash flow from investing activities | -313 | -46 |
| <i>Financing activities</i> | | |
| Change in interest-bearing investments | 888 | 768 |
| Change in interest-bearing liabilities | 219 | 622 |
| Dividend – shareholders of the Parent Company | -1,152 | -1,084 |
| Cash flow from financing activities | -45 | 306 |
| Cash flow for the year | 0 | 0 |
| <i>Cash and cash equivalents</i> | | |
| Opening balance, January 1 | - | 0 |
| Cash and cash equivalents, December 31 | - | - |

Parent Company balance sheets

| December 31, SEK M | Note | 2017 | 2016 |
|--|--------|---------------|---------------|
| ASSETS | | | |
| <i>Non-current assets</i> | | | |
| Property, plant and equipment | 42 | 15 | 16 |
| Intangible assets | 43 | 9 | 2 |
| Financial non-current assets | 41, 49 | 34,772 | 35,362 |
| Deferred tax assets | 38 | 108 | 171 |
| Total non-current assets | | 34,904 | 35,551 |
| <i>Current assets</i> | | | |
| Current operating receivables | 45 | 68 | 130 |
| Interest-bearing receivables | 50 | 837 | 556 |
| Cash and cash equivalents | | – | – |
| Total current assets | | 905 | 686 |
| TOTAL ASSETS | | 35,809 | 36,237 |
| EQUITY AND LIABILITIES | | | |
| <i>Equity</i> | | | |
| <i>Restricted equity</i> | | | |
| Share capital | | 2,620 | 2,620 |
| Statutory reserve | | 1,130 | 1,130 |
| Total restricted equity | | 3,750 | 3,750 |
| <i>Non-restricted equity</i> | | | |
| Profit brought forward | | 5,409 | 6,495 |
| Net profit for the year | | 423 | 66 |
| Total non-restricted equity | | 5,832 | 6,561 |
| Total equity | 52 | 9,582 | 10,311 |
| <i>Non-current liabilities</i> | | | |
| Interest-bearing non-current liabilities | 51 | 4,430 | 4,374 |
| Pension obligations | 40 | 5 | 5 |
| Other provisions | 48 | 19 | 19 |
| Total non-current liabilities | | 4,454 | 4,398 |
| <i>Current liabilities</i> | | | |
| Interest-bearing current liabilities | 51 | 21,588 | 21,374 |
| Other current liabilities | 46, 47 | 185 | 154 |
| Total current liabilities | | 21,773 | 21,528 |
| TOTAL EQUITY AND LIABILITIES | | 35,809 | 36,237 |

Change in equity

| Equity SEK M | Restricted equity | | Non-restricted equity | | Total equity | |
|-------------------------------------|-------------------|--------------|-----------------------|--------------|--------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Opening balance, January 1 | 3,750 | 3,750 | 6,561 | 7,579 | 10,311 | 11,329 |
| <i>Changes for the year:</i> | | | | | | |
| Dividend | | | –1,152 | –1,084 | –1,152 | –1,084 |
| Net profit for the year | | | 423 | 66 | 423 | 66 |
| Closing balance, December 31 | 3,750 | 3,750 | 5,832 | 6,561 | 9,582 | 10,311 |

See also Note 51.

Earnings

33 Expenses by nature

| SEK M | 2017 | 2016 |
|---|------------|-------------|
| Employee benefits | -151 | -146 |
| Depreciation/amortization | -4 | -4 |
| Other external costs | -123 | -163 |
| Other operating income/expenses (Note 34) | 190 | 168 |
| EBIT | -88 | -145 |

34 Other operating income and expenses

| SEK M | 2017 | 2016 |
|---|-------------|-------------|
| Sales of services to other Group companies | 452 | 474 |
| Sales of external services | 1 | 1 |
| Exchange rate differences | 2 | 2 |
| Guarantee remuneration | 11 | 0 |
| Total other operating income | 466 | 477 |
| Purchase of services from other Group companies | -169 | -149 |
| Exchange rate differences | -3 | -3 |
| Other | -104 | -157 |
| Total other operating expenses | -276 | -309 |
| Total | 190 | 168 |

35 Auditor's remuneration

| SEK M | 2017 | 2016 |
|--|----------|-----------|
| <i>Deloitte / PricewaterhouseCoopers</i> | | |
| Audit assignment | 3 | 6 |
| Audit activities other than audit assignment | 1 | 3 |
| Tax consultancy services | - | 2 |
| Other services | 0 | 3 |
| Total | 4 | 14 |

At the 2017 Annual General Meeting, Deloitte AB was appointed as the company's auditor. The fee for 2017 relates to Deloitte and the fee for 2016 relates to PricewaterhouseCoopers as the company's appointed auditors.

36 Financial income and expenses

| SEK M | 2017 | 2016 |
|---|-------------|-------------|
| <i>Income from participations in Group companies</i> | | |
| Dividend | 770 | 344 |
| Impairment losses on shares in subsidiaries | -1,046 | -155 |
| Gain/loss from divestment/winding-up of subsidiary | 486 | 0 |
| Total | 210 | 189 |
| <i>Other interest income and similar profit items</i> | | |
| Interest income, Group companies | - | 0 |
| Interest income, other | 0 | 4 |
| Exchange rate differences | 0 | 2 |
| Total | 0 | 6 |
| <i>Interest expenses and similar loss items</i> | | |
| Impairment of other non-current securities holdings | - | -9 |
| Interest expenses, Group companies | -472 | -458 |
| Interest expenses, other | 0 | 0 |
| Exchange rate differences | 0 | -1 |
| Total | -472 | -468 |
| Total financial income and expenses | -262 | -273 |

37 Income tax

| SEK M | 2017 | 2016 |
|---|------------|-----------|
| <i>Current tax expenses</i> | | |
| Tax expenses/revenue for the period | - | - |
| Adjustment of tax attributable to prior years | 0 | 0 |
| Other tax | 1 | 0 |
| Total | 1 | 0 |
| <i>Deferred tax expenses(-)/revenue(+)</i> | | |
| Change in losses carried forward | -63 | 34 |
| Total | -63 | 34 |
| Total recognized tax expenses/revenue | -62 | 34 |
| <i>Reconciliation of tax</i> | | |
| Loss after financial items | -350 | -418 |
| Calculated Swedish income tax, 22% | 77 | 92 |
| Non-taxable dividends/income from shares in subsidiaries | 276 | 76 |
| Non-deductible impairment losses | -230 | -36 |
| Other non-deductible expenses/non-taxable revenue | 1 | 1 |
| Group contributions received | -184 | -122 |
| Group contributions paid | 0 | 23 |
| Tax attributable to prior years | 0 | 0 |
| Tax effect as share in foreign tax-transparent legal entity | -3 | - |
| Other tax | 1 | 0 |
| Total recognized tax expenses/revenue | -62 | 34 |

The applicable tax rate is 22 percent (22).

38 Change in deferred tax

| | Losses carried forward | | Temporary differences in non-current assets | | Total deferred tax asset | |
|---------------------------------------|------------------------|------------|---|-----------|--------------------------|------------|
| SEK M | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Balance, January 1 | 173 | 139 | -2 | -2 | 171 | 137 |
| <i>Recognized in profit and loss:</i> | | | | | | |
| Change in losses carried forward | -63 | 34 | - | - | -63 | 34 |
| Temporary differences | - | - | 0 | 0 | 0 | 0 |
| Balance, December 31 | 110 | 173 | -2 | -2 | 108 | 171 |

See also Note 37.

Employees

39 Employees and employee benefits

Average number of employees

| | 2017 | | | 2016 | | |
|--------|-------|-----|-------|-------|-----|-------|
| | Women | Men | Total | Women | Men | Total |
| Sweden | 34 | 47 | 81 | 22 | 38 | 60 |

Gender distribution in executive management positions, %

| | 2017 | 2016 |
|--|------|------|
| Percentage of women in executive positions | 0 | 0 |
| on Board of Directors | 38 | 33 |

Employee benefits, other remuneration and payroll overheads

| 2017 | Board and President | Other members of Group Management | Other employees | Total salaries | Payroll overheads | Of which, pension costs |
|--------|---------------------|-----------------------------------|-----------------|----------------|-------------------|-------------------------|
| SEK M | | | | | | |
| Sweden | 27 | 10 | 61 | 98 | 56 | 18 |

See also Note 11.

| 2016 | Board and President | Other members of Group Management | Other employees | Total salaries | Payroll overheads | Of which, pension costs |
|--------|---------------------|-----------------------------------|-----------------|----------------|-------------------|-------------------------|
| SEK M | | | | | | |
| Sweden | 28 | 18 | 50 | 96 | 50 | 16 |

See also Note 11.

40 Pension obligations

| SEK M | 2017 | 2016 |
|-------------------------|----------|----------|
| Provisions for pensions | 5 | 5 |
| Total | 5 | 5 |

Pensions and similar costs amounted to SEK 18 M (22).

Operating assets and liabilities

41 Participations in Group companies

| SEK M | 2017 | 2016 |
|-------------------------|---------------|---------------|
| Opening balance | 35,024 | 35,123 |
| Add: | | |
| Capital contributions | 802 | 56 |
| Less: | | |
| Divestments/liquidation | -12 | 0 |
| Impairment losses | -1,046 | -155 |
| Carrying amount | 34,768 | 35,024 |

See also Note 14.

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 3 M (2). Future payments for non-cancellable lease commitments amount to SEK 2 M (2) and fall due as follows:

| SEK M | 2017 | 2016 |
|--------------|----------|----------|
| Year 1 | 1 | 1 |
| Years 2-5 | 1 | 1 |
| Total | 2 | 2 |

42 Property, plant and equipment

| SEK M | 2017 | 2016 |
|---|-----------|-----------|
| Improvement expenses on buildings owned by others | 12 | 13 |
| Equipment, tools, fixtures and fittings | 3 | 3 |
| Total | 15 | 16 |

| SEK M | Improvement expenses on buildings owned by others | | Equipment, tools, fixtures and fittings | | Total PPE | |
|---|---|------------|---|------------|------------|------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Accumulated cost | | | | | | |
| Balance, January 1 | 25 | 25 | 13 | 13 | 38 | 38 |
| Capital expenditures | - | - | 2 | 0 | 2 | 0 |
| Divestments and disposals | - | - | 0 | 0 | 0 | 0 |
| Accumulated cost, December 31 | 25 | 25 | 15 | 13 | 40 | 38 |
| Accumulated depreciation according to plan | | | | | | |
| Balance, January 1 | -12 | -10 | -10 | -9 | -22 | -19 |
| Divestments and disposals | - | - | 0 | 0 | 0 | 0 |
| Depreciation according to plan for the year | -1 | -2 | -2 | -1 | -3 | -3 |
| Accumulated amortization, December 31 | -13 | -12 | -12 | -10 | -25 | -22 |
| Carrying amount | 12 | 13 | 3 | 3 | 15 | 16 |

43 Intangible assets

| SEK M | 2017 | 2016 |
|--------------------------------|----------|----------|
| Capitalized expenditure for IT | 9 | 2 |
| Total | 9 | 2 |

| SEK M | Capitalized expenditure for IT | |
|---|--------------------------------|------------|
| | 2017 | 2016 |
| Accumulated cost | | |
| Balance, January 1 | 20 | 20 |
| Capital expenditures | 8 | - |
| Accumulated cost, December 31 | 28 | 20 |
| Accumulated depreciation according to plan | | |
| Balance, January 1 | -18 | -17 |
| Depreciation according to plan for the year | -1 | -1 |
| Accumulated amortization, December 31 | -19 | -18 |
| Carrying amount | 9 | 2 |

44 Depreciation of PPE and amortization of intangible assets

| SEK M | 2017 | 2016 |
|---|-----------|-----------|
| Improvement expenses on buildings owned by others | -1 | -1 |
| Equipment, tools, fixtures and fittings | -2 | -2 |
| Capitalized expenditure for IT | -1 | -1 |
| Total | -4 | -4 |

45 Current operating receivables

| SEK M | 2017 | 2016 |
|--|-----------|------------|
| Operating receivables, Group companies | 8 | 92 |
| Other current receivables | 29 | 10 |
| Prepaid expenses and accrued income | 31 | 28 |
| Total | 68 | 130 |

46 Other current liabilities

| SEK M | 2017 | 2016 |
|---|------------|------------|
| Accounts payable | 41 | 43 |
| Operating liabilities, Group companies | 78 | 29 |
| Other non-interest-bearing liabilities | 5 | 9 |
| Accrued expenses and prepaid income (Note 47) | 61 | 73 |
| Total | 185 | 154 |

47 Accrued expenses and prepaid income

| SEK M | 2017 | 2016 |
|--------------------|-----------|-----------|
| Wages and salaries | 39 | 41 |
| Payroll overheads | 12 | 13 |
| Other | 10 | 19 |
| Total | 61 | 73 |

48 Other provisions

| SEK M | 2017 | 2016 |
|---|-----------|-----------|
| Provision for long-term incentive program | 14 | 14 |
| Other provisions | 5 | 5 |
| Total | 19 | 19 |

Capital structure and financing**49 Financial non-current assets**

| SEK M | 2017 | 2016 |
|---|---------------|---------------|
| Participations in Group companies (Note 14 and Note 41) | 34,768 | 35,024 |
| Receivables, Group companies | 0 | 333 |
| Loan receivables | – | 1 |
| Other non-current securities holdings | 0 | 0 |
| Other non-current receivables | 4 | 4 |
| Total | 34,772 | 35,362 |

50 Interest-bearing receivables

| SEK M | 2017 | 2016 |
|---|------------|------------|
| Financial receivables, Group companies | 836 | 555 |
| Other interest-bearing receivables | 1 | 1 |
| Total interest-bearing receivables | 837 | 556 |

51 Interest-bearing liabilities

| SEK M | 2017 | 2016 |
|---|---------------|---------------|
| Other non-current interest-bearing liabilities, Group companies ¹⁾ | 4,430 | 4,374 |
| Other current interest-bearing liabilities, Group companies | 21,588 | 21,374 |
| Total interest-bearing liabilities | 26,018 | 25,748 |

¹⁾ For the portion comprising effective hedging instruments, the carrying amount is SEK 4,346 M and the fair value is SEK 4,781 M.

52 Equity

Trelleborg AB's share capital at December 31, 2017 amounted to SEK 2,620,360,569, represented by 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 |
|----------------|--------------------|---------------|--------------------|---------------|
| Series A | 28,500,000 | 10.51 | 285,000,000 | 54.02 |
| Series B | 242,571,783 | 89.49 | 242,571,783 | 45.98 |
| Total | 271,071,783 | 100.00 | 527,571,783 | 100.00 |

See also Note 27.

Proposed treatment of unappropriated earnings

| | 2017 |
|---|------------------|
| The Board of Directors proposes that the profit brought forward from the preceding year, SEK 000s | 5,408,627 |
| and net profit for the year, SEK 000s | 423,362 |
| Total, SEK 000s | 5,831,989 |
| <i>be distributed in the following manner:</i> | |
| Dividend to shareholders of SEK 4.50 per share, SEK 000s | 1,219,823 |
| balance to be carried forward, SEK 000s | 4,612,166 |
| Total, SEK 000s | 5,831,989 |

Other**53 Appropriations and untaxed reserves**

| SEK M | 2017 | 2016 |
|------------------------------|------------|------------|
| Appropriations | | |
| Group contributions received | 836 | 555 |
| Group contributions paid | –1 | –105 |
| Total appropriations | 835 | 450 |

54 Contingent liabilities and pledged assets

| SEK M | 2017 | 2016 |
|--|---------------|---------------|
| <i>Contingent liabilities</i> | | |
| Pension obligations | 0 | 0 |
| Guarantees and other contingent liabilities | 12,820 | 15,474 |
| Total | 12,820 | 15,474 |
| Of which, on behalf of the subsidiary Trelleborg Treasury AB | 12,554 | 15,186 |
| Of which, on behalf of other subsidiaries | 266 | 288 |
| <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 12,200 M (14,690), the fair value of derivative instruments for SEK 303 M (464) and other contingent liabilities for SEK 51 M (31) on the closing date.

PROPOSED TREATMENT OF UNAPPROPRIATED EARNINGS

The Board of Directors proposes that the profit brought forward from the preceding year, SEK 000s

5,408,627

and net profit for the year, SEK 000s

423,362

Total, SEK 000s

5,831,989

be distributed in the following manner:

Dividend to shareholders of SEK 4.50 per share, SEK 000s

1,219,823

balance to be carried forward, SEK 000s

4,612,166

Total, SEK 000s

5,831,989

The proposed record date for the right to a dividend is April 27, 2018.

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 56.0 percent to 54.9 percent and the Parent Company's equity/assets ratio from 26.8 percent to 24.2 percent, calculated on December 31, 2017.

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 16, 2018



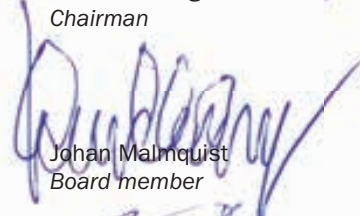
Sören Mellstig
Chairman




Hans Biörck
Board member



Gunilla Fransson
Board member



Johan Malmquist
Board member



Anne Mette Olesen
Board member



Susanne Pahlén Åklundh
Board member



Bo Risberg
Board member



Göran Andersson
Employee Representative



Peter Larsson
Employee Representative



Mikael Nilsson
Employee Representative



Peter Nilsson
President

Audit report submitted February 16, 2018
Deloitte AB



Hans Warén
Authorized Public Accountant
Auditor in Charge



Maria Ekelund
Authorized Public Accountant

FINANCIAL DEFINITIONS

Trelleborg uses the following alternative performance measures relating to its financial position: return on shareholders' equity and return on capital employed, net debt, debt/equity ratio and equity/assets ratio. The Group believes that these performance measures can be utilized by users of the financial statements as a supplement in assessing the possibility of dividends, making strategic investments and assessing the Group's ability to meet its financial commitments. Trelleborg also uses the cash flow metrics of operating cash flow and free cash flow to provide an indication of the funds generated by the operations in order to

conduct strategic investments, carry out amortizations and generate a return for its shareholders. Trelleborg uses the performance metrics of EBITDA, EBITA and EBIT excluding items affecting comparability, which the Group considers to be relevant for investors seeking to understand its earnings generation before items affecting comparability. The Group defines its key figures as follows.

For further descriptions and calculations of performance measures, visit www.trelleborg.com/en/investors/financial-definitions.

Average number of employees Average number of employees during the year based on hours worked. Excluding insourced staff.

Capital employed Total assets less interest-bearing receivables and non-interest-bearing operating liabilities (including pension liabilities) and excluding tax assets and tax liabilities ¹⁾.

Cash conversion ratio Operating cash flow as a percentage of EBIT.

Debt/equity ratio, % Net debt divided by total equity.

Discontinuing operations Profit from discontinuing operations is recognized net in the consolidated income statement in the item "Net profit in discontinuing operations".

Earnings per share Profit for the period, attributable to shareholders of the Parent Company, divided by the average number of shares outstanding.

EBIT Operating profit including items affecting comparability.

EBIT excluding items affecting comparability Operating profit excluding items affecting comparability.

EBIT margin excluding items affecting comparability, % EBIT excluding items affecting comparability as a percentage of net sales.

EBITA Operating profit excluding amortization and impairment of intangible assets and excluding items affecting comparability.

EBITA margin, % EBITA as a percentage of net sales.

EBITDA Operating profit excluding depreciation/amortization and impairment of PPE and intangible assets and excluding items affecting comparability.

EBITDA margin, % EBITDA excluding participations in the profit/loss of jointly owned/associated companies as a percentage of net sales.

EBITDA/Net interest income/expense EBITDA divided by net interest income/expense (interest income less interest expenses).

Equity/assets ratio, % Total equity divided by total assets.

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.

Free cash flow Operating cash flow reduced by cash flow from financial items, taxes 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.

Items affecting comparability The total of the restructuring costs approved by the Board of Directors and major non-recurring items.

Net debt Interest-bearing liabilities less interest-bearing assets and cash and cash equivalents.¹⁾

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. The key figure excludes cash flow from items affecting comparability.

Operating cash flow per share Operating cash flow divided by the average number of shares outstanding.

Organic growth The sales growth in comparable exchange rates that is generated by the Group itself on its own merits and in the existing structure.

P/E ratio Market price divided by earnings per share.

Pro forma Pro forma calculations include total Group consolidation from the most recent 12-month period plus acquisitions and divestments in order to reflect current continuing operations.

Rate of capital turnover Net sales as a percentage of average capital employed.

Return on capital employed, % EBIT divided by the average capital employed.

Return on shareholders' equity, % Profit for the period, attributable to shareholders of the Parent Company, divided by average equity, excluding non-controlling interests.

Yield Dividend as a percentage of the market price.

Western Europe Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Malta, the Netherlands, Norway, Portugal, Sweden, Switzerland, Spain, the U.K.

¹⁾ The outstanding receivable related to the divestment of Vibracoustic is recognized as a financial receivable and thus does not affect the Group's net debt.

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 terms sustainability or Corporate Social Responsibility (CSR).

Cryogenic hose Hose adapted to handling fluids with a very low temperature.

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.

LNG Liquefied Natural Gas.

LSR Liquid Silicone Rubber.

MRO Maintenance, Repair and Operations.

OEM (Original Equipment Manufacturer) A company that manufactures an end-product that can be sold on the open market. The product often consists of a combination of proprietarily manufactured and purchased components from suppliers that are assembled by the OEM company to make the final product.

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, and **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.

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 operations.

TEN-YEAR OVERVIEW

| Trelleborg Group (SEK M unless otherwise stated) | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 ¹⁾ | 2011 | 2010 | 2009 | 2008 |
|--|--------|---------|--------|--------|--------|--------------------|--------|--------|--------|--------|
| Net sales | 31,581 | 27,145 | 24,803 | 22,533 | 21,473 | 21,262 | 21,043 | 19,735 | 18,605 | 21,502 |
| EBIT | 4,022 | 3,105 | 2,962 | 2,775 | 2,203 | 2,353 | 2,093 | 1,667 | 704 | 1,394 |
| Profit before tax | 3,792 | 2,896 | 2,809 | 2,641 | 2,006 | 2,199 | 1,929 | 1,501 | 393 | 1,017 |
| Net profit, continuing operations | 2,874 | 2,216 | 2,096 | 1,938 | 1,419 | 1,711 | 1,333 | 1,089 | 409 | 749 |
| Net profit/loss, discontinuing operations | – | 4,369 | 509 | 289 | 198 | 346 | 505 | 94 | 10 | –1,007 |
| Total net profit/loss | 2,874 | 6,585 | 2,605 | 2,227 | 1,617 | 2,057 | 1,838 | 1,183 | 419 | –258 |
| – shareholders of the Parent Company | 2,874 | 6,585 | 2,603 | 2,221 | 1,609 | 2,042 | 1,819 | 1,162 | 409 | –267 |
| – non-controlling interests | – | – | 2 | 6 | 8 | 15 | 19 | 21 | 10 | 9 |
| Equity | 27,216 | 25,137 | 18,622 | 17,776 | 14,877 | 14,012 | 13,504 | 12,196 | 12,361 | 10,238 |
| Capital employed | 37,256 | 37,588 | 24,937 | 24,575 | 20,263 | 19,233 | 19,574 | 18,091 | 19,755 | 22,238 |
| Net debt | 9,593 | 12,125 | 6,282 | 7,195 | 5,637 | 5,360 | 6,425 | 6,409 | 8,369 | 12,706 |
| Total assets | 48,612 | 48,354 | 34,390 | 33,067 | 27,288 | 27,224 | 28,691 | 27,314 | 29,539 | 33,763 |
| Equity/assets ratio, % | 56 | 52 | 54 | 54 | 55 | 51 | 47 | 45 | 42 | 30 |
| Debt/equity ratio, % | 35 | 48 | 34 | 40 | 38 | 38 | 48 | 53 | 68 | 124 |
| Capital turnover rate, multiples | 0.8 | 0.8 | 0.9 | 1.0 | 1.1 | 1.3 | 1.5 | 1.5 | 1.3 | 1.5 |
| Investments in property, plant and equipment | 1,343 | 1,074 | 1,241 | 962 | 852 | 967 | 1,075 | 792 | 754 | 1,367 |
| Investments in intangible assets | 94 | 74 | 73 | 63 | 70 | 76 | 61 | 47 | 72 | 159 |
| Cash flow attributable to acquisitions | –226 | –13,380 | –681 | –1,912 | –234 | –744 | –746 | –165 | –63 | –802 |
| Cash flow attributable to discontinuing operations | 649 | 6,165 | 1,390 | 152 | –19 | 448 | 478 | 445 | 377 | –276 |
| Free cash flow | 2,434 | 2,368 | 1,452 | 1,751 | 965 | 1,714 | 675 | 806 | 1,366 | 656 |
| Free cash flow per share, SEK ²⁾ | 8.98 | 8.74 | 5.36 | 6.46 | 3.56 | 6.32 | 2.49 | 2.97 | 5.68 | 3.31 |
| Return on shareholders' equity, % | 11.0 | 30.1 | 14.3 | 13.6 | 11.2 | 15.0 | 14.3 | 9.5 | 3.6 | neg |
| Earnings per share, SEK ²⁾ | 10.60 | 24.30 | 9.60 | 8.20 | 5.93 | 7.53 | 6.71 | 4.29 | 1.70 | –1.35 |
| Dividend to shareholders in the Parent Company ³⁾ | 1,220 | 1,152 | 1,084 | 1,017 | 881 | 813 | 678 | 474 | 136 | – |
| Dividend per share, SEK ³⁾ | 4.50 | 4.25 | 4.00 | 3.75 | 3.25 | 3.00 | 2.50 | 1.75 | 0.50 | – |
| Shareholders' equity per share, SEK ²⁾ | 100.40 | 92.73 | 68.70 | 65.54 | 54.72 | 51.56 | 49.20 | 44.56 | 45.25 | 51.23 |
| Average number of employees | 22,112 | 19,423 | 15,713 | 15,425 | 14,827 | 16,702 | 20,274 | 20,042 | 20,073 | 24,347 |
| – of whom, outside Sweden | 20,990 | 18,312 | 14,533 | 14,196 | 13,563 | 15,220 | 18,502 | 18,230 | 18,342 | 22,104 |

Continuing operations excluding items affecting comparability⁴⁾

| | | | | | | | | | | |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| EBITA | 4,385 | 3,700 | 3,325 | 3,064 | 2,685 | 2,390 | 2,280 | 1,897 | 1,078 | 2,049 |
| EBIT | 4,091 | 3,496 | 3,219 | 3,001 | 2,613 | 2,342 | 2,231 | 1,840 | 1,021 | 1,996 |
| Profit before tax | 3,861 | 3,287 | 3,066 | 2,867 | 2,416 | 2,188 | 2,067 | 1,675 | 710 | 1,617 |
| Net profit | 2,934 | 2,503 | 2,277 | 2,116 | 1,777 | 1,643 | 1,436 | 1,225 | 632 | 1,289 |
| EBITA margin, % | 13.9 | 13.6 | 13.4 | 13.6 | 12.5 | 11.2 | 10.8 | 9.6 | 5.8 | 9.5 |
| EBIT margin, % | 13.0 | 12.9 | 13.0 | 13.3 | 12.2 | 11.0 | 10.6 | 9.3 | 5.5 | 9.3 |
| Return on capital employed, % | 10.8 | 11.3 | 14.3 | 15.9 | 15.2 | 13.9 | 13.6 | 11.5 | 5.8 | 12.3 |
| Return on shareholders' equity, % | 11.2 | 11.4 | 12.5 | 12.9 | 12.3 | 12.0 | 11.2 | 10.0 | 5.6 | 12.8 |
| Earnings per share, SEK | 10.82 | 9.23 | 8.39 | 7.79 | 6.52 | 6.03 | 5.26 | 4.49 | 2.62 | 6.50 |
| Operating cash flow | 3,688 | 3,460 | 2,282 | 2,705 | 2,162 | 2,248 | 1,539 | 1,647 | 2,526 | 1,436 |
| Operating cash flow per share, SEK | 13.61 | 12.76 | 8.42 | 9.98 | 7.97 | 8.29 | 5.68 | 6.08 | 10.50 | 7.25 |
| Cash conversion ratio, % | 90 | 99 | 71 | 90 | 83 | 96 | 69 | 90 | 247 | 72 |
| Average number of employees | 22,112 | 19,423 | 15,713 | 15,425 | 14,827 | 13,905 | 14,306 | 13,327 | 13,136 | 15,736 |

Continuing operations including items affecting comparability⁴⁾

| | | | | | | | | | | |
|-----------------------------------|-------|------|------|------|------|------|------|------|------|------|
| Return on shareholders' equity, % | 11.0 | 10.1 | 11.5 | 11.9 | 9.8 | 12.5 | 10.4 | 8.9 | 3.6 | 7.4 |
| Earnings per share, SEK | 10.60 | 8.18 | 7.73 | 7.13 | 5.20 | 6.27 | 4.88 | 3.99 | 1.69 | 3.77 |

¹⁾ Figures for 2012 have been adjusted for the transition effects of the amendment to IAS 19.

²⁾ 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.

³⁾ Dividend in accordance with the proposed treatment of unappropriated earnings.

⁴⁾ For comparability, historical values have been adjusted for discontinuing operations.

AUDITOR'S REPORT

To the general meeting of the shareholders of Trelleborg AB (publ),
corporate identity number 556006-3421

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Trelleborg AB (publ) for the financial year 2017-01-01 – 2017-12-31 except for the corporate governance report on pages 72–83 and the sustainability report on pages 10–11 and 47–64. The annual accounts and consolidated accounts of the company are included on pages 7–25 and 47–129 in this document.

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 31 December 2017 and its financial performance and cash flow 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 31 December 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not comprise the corporate governance report on pages 72–83 and the sustainability report on pages 10–11 and 47–64.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Other information

The audit of the annual accounts for the financial year 2016-01-01 – 2016-12-31 was performed by another auditor who submitted an auditor's report dated 17 February 2017, with unmodified opinions in the Report on the annual accounts.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibility section. We are independent of the parent company and the group in accordance with

professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Valuation of goodwill

Risk description

As of 31 December 2017 Trelleborg AB accounts for goodwill amounting to SEK 18 127 M. The value of the goodwill is depending on future income and profitability in the cash generating entities, to which the goodwill refers and is assessed for impairment at least once a year. The impairment test is based on several judgments and estimates, as estimated future cash flow, growth, EBIT margin and capital cost (WACC) and other complex circumstances. Incorrect judgments and estimates may have a significant impact on the group's result and financial position.

For further information, please see note 17 – Intangible assets.

Our audit procedures

Our audit included the following procedures, but was not limited to these:

- » Review and assessment of Trelleborg AB's procedures for impairment tests of goodwill and evaluation of the reasonability of assumptions made, that the procedures are consistently applied and that there is integrity in computations
- » Test of head room for each cash generating entity by performing sensitivity analyses
- » Review of the completeness in relevant disclosures to the financial reports
- » When performing the audit procedures our valuation experts have been involved.

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–6 and 27–46. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the Information otherwise appears to be materially misstated.

If we, based on the work performed concerning this Information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- » Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- » Obtain an understanding of the company's internal control relevant to our audit 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.
- » Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- » Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion

about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- » Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- » Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Trelleborg AB (publ) for the financial year 2017-01-01 – 2017-12-31 and the proposed appropriations of the company's profit or loss.

We recommend to the annual general 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 Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's responsibility section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- » has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- » in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 72–83 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph

points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 10–11 and 47–64, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Deloitte AB was appointed auditor of Trelleborg AB by the annual general meeting of shareholders on the 27 April 2017 with Hans Warén as auditor in charge and Maria Ekelund as deputy auditor and has been the company's auditor since that date.

Malmö 16 February 2018

Deloitte AB



Hans Warén
Authorized public accountant
Auditor in charge



Maria Ekelund
Authorized public accountant

ASSURANCE REPORT – SUSTAINABILITY REPORT

Auditor's Limited Assurance Report on Trelleborg AB's Sustainability Report

This is the translation of the auditor's report in Swedish.

TO TRELLEBORG AB (PUBL)

Introduction

We have been engaged by the Board of Directors and the President of Trelleborg AB to undertake a limited assurance engagement of the Trelleborg AB Sustainability Report for the year 2017. The Company has defined the scope of the Sustainability Report in the table of contents of the Annual Report.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Report

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 47 in the Sustainability Report, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor

Our responsibility is to express a conclusion on the Sustainability Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. 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 other generally accepted auditing standards in Sweden.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of Trelleborg AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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 a reasonable assurance engagement.

Accordingly, the conclusion of the procedures performed do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. 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 conclusion below.

Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm 16 February 2018
Deloitte AB



Hans Wärén
Authorized Public Accountant



Lennart Nordqvist
Expert Member of FAR

TRELLEBORG ON THE INTERNET, IN YOUR MOBILE AND ON YOUR TABLET

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.

FINANCIAL CALENDAR 2018

| | |
|-------------------------------------|---------------------|
| Interim report January–March | April 25 |
| Annual General Meeting (Trelleborg) | April 25, 5.00 p.m. |
| Interim report April–June | July 20 |
| Interim report July–September | October 24 |
| Year-end report 2018 | February 6, 2019 |



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See our films on YouTube: www.youtube.com/trelleborg

INFORMATION ABOUT THE 2018 ANNUAL GENERAL MEETING

The Annual General Meeting of Trelleborg AB (publ) will be held on Wednesday, April 25, 2018, at 5:00 p.m. in Söderslätts hallen in Trelleborg, Sweden.

Program

2:45 p.m. Registration and 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 by Thursday, April 19, 2018 and notify the company of their intention to participate – with any advisors – not later than 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 by Thursday, April 19, 2018. 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
- » post to Trelleborg AB, "Årstämman", c/o Euroclear Sweden AB, PO Box 191, SE-101 23 Stockholm, Sweden
- » telephone to +46 410 670 04



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 2018 Annual General Meeting.

Proposed dividend: The Board of Directors propose a cash dividend of SEK 4.50 (4.25) per share to be paid to the shareholders. Friday, April 27, 2018 is proposed as the date of record. If the Meeting approves the proposal, the dividend is expected to be distributed by Euroclear Sweden AB on Thursday, May 3, 2018.

The complete notification of the Annual General Meeting will be available at www.trelleborg.com.



From stormy oceans to still waters.

Trelleborg offers a broad range in port infrastructure, marine technology, oil and gas transfer as well as port and marine equipment focused on improved reliability and safety in addition to increased utilization in various marine segments.

Trelleborg AB is a public limited liability company. Corporate Registration Number: 556006-3421. The Group's headquarters are in Trelleborg, Sweden.

The Annual Report is published in Swedish and English.

This is a translation of the company's definitive Annual Report for 2017 in Swedish. The Swedish-language version is the original and has been audited by Trelleborg's auditors. The 2016 Annual Report was published in March 2017.

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, 2016. 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.

This Annual Report was produced in collaboration with RHR/CC in Malmö, Sweden. It carries the Nordic Ecolabel and was printed by Bording InStore in Helsingborg using printing blankets from the Trelleborg Group and vegetable-based inks. Translation by The Bugli Company.

Index with reference to Global Reporting

Initiative (GRI): Indicator categories: EC=Economic, EN=Environmental, LA=Labor Practices and Decent Work, HR=Human Rights, SO=Society. An indicator with an asterisk* signifies an indicator with comments regarding aspects that have been omitted (these can be found in the GRI index in the 2017 Trelleborg Corporate Responsibility Report).

Addresses

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Trelleborg is a world leader in engineered polymer solutions that seal, damp and protect critical applications in demanding environments. Its innovative solutions accelerate performance for customers in a sustainable way.

The Trelleborg Group has annual sales of about SEK 32 billion and operations in about 50 countries. The Group comprises five business areas: Trelleborg Coated Systems, Trelleborg Industrial Solutions, Trelleborg Offshore & Construction, Trelleborg Sealing Solutions and Trelleborg Wheel Systems.

The Trelleborg share has been listed on the Stock Exchange since 1964 and is listed on Nasdaq Stockholm, Large Cap.

WWW.TRELLEBORG.COM