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 17, 2017.

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 now presented under the respective notes. 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 by the Group

Standards, amendments and interpretations that come into effect for fiscal years beginning on or after January 1, 2016 are deemed to have no material impact on the consolidated financial statements.

New standards and interpretations that have not yet been applied by the Group

A number of new standards, amendments and interpretations of existing standards that apply to the fiscal year commencing after January 1, 2016 were not applied by the Group in the preparation of these consolidated financial statements. However, none of these standards, amendments or interpretations of existing standards are expected to have any material effect on the Group apart from those presented below.

IFRS 9 Financial Instruments IFRS 9 addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the parts of IAS 39 that address classification and measurement of financial instruments. While IFRS 9 retains a mixed-measurement model, it simplifies this method in some regards. There will be three measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The manner in which an instrument will be classified depends on the company's business model and the instrument's characteristics. Investments in equity instruments are to be recognized at fair value through profit and loss, but there is also the possibility upon initial recognition to recognize the instrument at fair value through other comprehensive income. The instrument will not subsequently be reclassified to profit and loss upon divestment. IFRS 9 also introduces a new model for calculating the credit loss reserve that is based on expected credit losses. The classification and measurement of financial liabilities have not been changed except for when a liability is measured at fair value through profit and loss on the basis of the fair value alternative. In such a case, changes in value attributable to changes in credit risk are to be recognized in other comprehensive income. IFRS 9 reduces the requirements for application of hedge accounting by replacing the 80-125 criteria with requirements for the establishment of a financial relationship between the hedging instrument and the hedged item and by stipulating that the hedging ratio should be the same as the figure applied in connection with risk management. Changes were also made to hedging documentation compared with the requirements in IAS 39. The standard is to apply to fiscal years beginning on or after January 1, 2018. Prospective application is permitted. Work is under way in the Group to assess the effects of implementing the standard.

IFRS 15 Revenue from Contracts with Customers IFRS 15 regulates the manner in which revenue is recognized. The principles on which IFRS 15 is based aim to provide users of financial reports with more useful information on the company's revenues. The expanded disclosure obligation entails that information must be submitted concerning the category of revenue, settlement date, uncertainty linked to revenue recognition and cash flow attributable to the company's customer contracts. According to IFRS 15, revenue must be recognized when the customer gains control of the sold goods or services and has the opportunity to use or gain benefit from the goods or services. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the associated SIC and IFRIC guidance. IFRS 15 comes into effect on fiscal years beginning on or after January 1, 2018, when the Group is also expected to apply the standard. Work is under way in the Group to assess the effects of implementing IFRS 15. This work includes taking an inventory of applicable agreements and contracts with a focus on, for example, specific delivery terms and conditions or other terms that may

impact future income recognition. These efforts will be intensified in 2017. For the subsidiaries that are expected to be impacted the most, parallel reporting will take place from the first quarter of 2017 in order to assess the effects of changed financial reporting in line with the new standard. At present, the Group cannot assess the quantitative impact on the financial statements of the new rules. The Group has not yet determined which transition method it will apply.

IFRS 16 Leases In January 2016, the IASB published a new standard for leases, which will replace IAS 17 Leases and the associated interpretations IFRIC 4, SIC-15 and SIC-27. The standard requires, with a few exceptions, that assets and liabilities attributable to all leases be recognized in the balance sheet. This method of recognition is based on the approach that the lessee has a right to use an asset for a specific period of time and an obligation to pay for this right. In all material respects, the recognition for the lessor will remain unchanged. The standard is to apply to fiscal years beginning on or after January 1, 2019. At present, the Group does not intend to apply the standard prospectively. The EU has not yet adopted the standard. In 2017, analysis will commence to assess what impact the new standard will have, but the Group has not yet evaluated the extent to which these commitments will be recognized as assets and liabilities and how this will impact the Group's earnings and classification of cash flows.

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on the Group.

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.