

**WE SEAL, DAMP  
AND PROTECT  
CRITICAL  
APPLICATIONS**



**2021 ANNUAL REPORT WITH  
SUSTAINABILITY REPORT**

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● = Included in the audited annual accounts and consolidated accounts.

## OPERATIONS 2021, STRATEGY AND SUSTAINABILITY

## RISK, RISK MANAGEMENT AND CORPORATE GOVERNANCE

## FINANCIAL AND SUSTAINABILITY-RELATED INFORMATION

## OTHER INFORMATION

### BOARD OF DIRECTORS' REPORT

This is a translation of Trelleborg's definitive Annual Report for 2021 in Swedish. The Swedish-language version is the original. The audited annual accounts and consolidated accounts for the 2021 fiscal year are included on pages 8–13, 16–17, 28–35, 38–47, 50–53, 62–65 and 70–116. The Board of Directors' Report comprises pages 8–13, 16–17, 28–35, 38–47 and 50–53.

### OTHER EXTERNAL ASSURANCE

The auditor has performed a limited assurance of the sustainability report, pages 9, 19–25, 38–47 and 122–135. Refer to the Assurance Report on page 136, which includes the auditor's opinion regarding the statutory sustainability report in accordance with FAR's auditing standard RevR 12. The auditor has examined the corporate governance statement, pages 55–65, in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement.

### SUSTAINABILITY REPORT ACCORDING TO GRI STANDARDS

Trelleborg reports on sustainability in 2021 in accordance with the GRI Standards: Core option. The scope of the sustainability report is outlined in the GRI Content Index on page 135. For more information and a detailed GRI Content Index, refer to the separate 2021 Sustainability Report, which can be downloaded from [www.trelleborg.com](http://www.trelleborg.com).

### TRELLEBORG AND THE UN 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.

## PROTECTING THE ESSENTIAL

**The Trelleborg Group is a world leader** in engineered polymer solutions. The Group has annual sales of approximately SEK 34 billion and operations in about 50 countries.

With Trelleborg's material expertise and industry insight into cutting-edge areas with rigorous requirements, such as the aerospace and automotive industries, as well as healthcare & medical, the Group is creating the sustainable industrial solutions of today, shaped by such trends as electrification, digitalization, industrial automation and new sustainable materials. The Group's polymer-based solutions are often critical to the functionality of the customers' advanced end products.

**The engineered solutions are based on unique** sealing and damping properties of polymers such as rubber and plastic. The solutions save energy and reduce CO<sub>2</sub> emissions, eliminate noise and vibrations, and dramatically extend the lifecycles of machines and medical devices as well as skyscraper facades.

The Trelleborg Group has set ambitious science-based climate targets for its own operations, aiming for net zero emissions by 2035. Resource efficiency and circularity are becoming part of Trelleborg's DNA.



# TRELLEBORG AND 2021 IN BRIEF

Trelleborg is working continuously to create value for all its stakeholders. For those who are considering an investment in Trelleborg, there are a number of factors that form the basis for the Group's value creation.

## THIS IS A UNIQUE TIME FOR TRELLEBORG

This is a time of rapidly advancing technological development, increasingly stringent quality standards and focus on product safety. But also it is a time for the transition of the global community toward more sustainable energy consumption, adaptation to climate change and a more circular use of resources.

Industrial companies worldwide must quickly adjust their operations to the new reality.

These needs are positive for Trelleborg.

## THE GROUP HAS A CLEAR AND DECISIVE ROLE

With Trelleborg's material expertise and industry insight into cutting-edge areas with rigorous requirements, such as the aerospace and automotive industries, as well as healthcare & medical, the Group is creating the sustainable industrial solutions of today, shaped by such trends as electrification, digitalization, industrial automation and new sustainable materials.

A factor favoring Trelleborg's polymer-based solutions is that they are often critical to the functionality of the customers' advanced end products. One good example is the sealing solutions in an aircraft's landing gear. While they are critical to the function of the aircraft, the solutions make up a relatively small share of the total cost for a customer's end product – the finished aircraft. Or, for instance, in an offshore wind farm sealing solutions are small components, but they are crucial if these massive structures are to withstand the harsh marine environment.

## TRELLEBORG STANDS STABLE AND STRONG

For more than 100 years, Trelleborg has successfully restructured its operations when the external environment has changed. The way of achieving results – a strongly decentralized organization built on local responsibility and personal dedication – forms the basis of the Group's model for profitability and business success. Local presence around the world is supported by Trelleborg's global expertise and financial strength.

## THE GROUP CREATES LONG-TERM VALUE FOR SHAREHOLDERS

Three things provide Trelleborg with a clear advantage when it comes to creating long-term value for shareholders: the choice of niches in industries of the future, a high level of expertise and the entry barriers the niches have to competitors. Demand for the Group's balanced portfolio of solutions is also relatively evenly distributed throughout the business cycle.

## TRELLEBORG IS ON THE RIGHT TRACK

Longstanding customer relationships are built on close collaboration on innovations with renowned industry players who are on the same journey toward better sustainability as Trelleborg. The Group's engineered solutions are based on the completely unique sealing and damping properties of polymers, such as rubber and plastic. The solutions save energy and reduce CO<sub>2</sub> emissions, eliminate noise and vibrations, and dramatically extend the lifecycles of machines and medical devices, as well as skyscraper facades.

Trelleborg's overall mission is to help protect the essential in society: people, the environment and infrastructure.

However, Trelleborg recognizes the fact that the Group's solutions are largely fossil-based. Trelleborg is therefore working systematically to increase the share of bio-based and recycled raw materials in everything it develops, to strengthen its role as sustainability leader in its industry.

The Group has set ambitious science-based climate targets for its own operations, aiming for net zero emissions by 2035. Resource efficiency and circularity are becoming part of the company's DNA.

This new demanding reality favors the Group's continued journey as the preferred partner to leading customers in the most attractive segments. Trelleborg knows the company is on the right track and has further strengthened its growth and profitability targets.

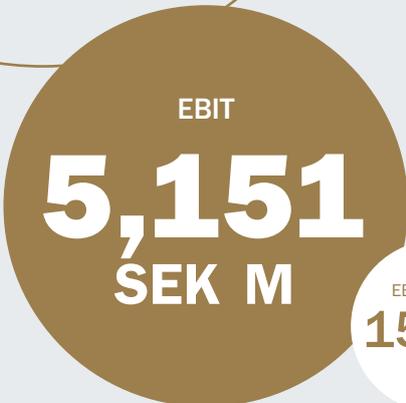
# TRELLEBORG IS READY FOR THE NEW REALITY



Net sales for 2021 increased 12 percent to SEK 33,864 M. Organic sales increased 16 percent compared with 2020.



Most employees in 2021 worked in the US, followed by the Czech Republic and China. Sales were conducted in just over 150 countries across the globe and manufacturing at more than 100 production facilities in 2021.



EBIT, excluding items affecting comparability, increased 26 percent year on year to SEK 5,151 M, corresponding to an EBIT margin of 15.2 percent.



The cash conversion ratio for the most recent five years amounts to 95 percent. In 2021, the cash conversion ratio was 84 percent (128). Operating cash flow amounted to SEK 4,347 M, down 17 percent compared with 2020.

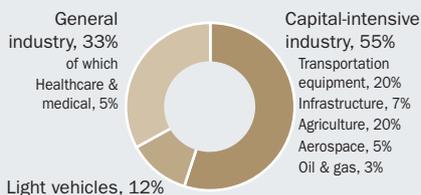


Carbon dioxide emissions are to decrease by approximately 10 percent per year over the current five-year period, which they also did in 2021. The climate target "50 by 25" is established for 2025, meaning a 50-percent cut in emissions from operations relative to sales during the period, with 2020 as the base year. In addition, emissions along the value chain are to be significantly reduced. Read more on pages 24–25.

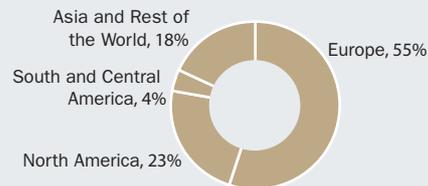


Earnings per share, excluding items affecting comparability, amounted to SEK 13.95. For the Group in its entirety, earnings per share amounted to SEK 13.71.

NET SALES PER MARKET SEGMENT



NET SALES PER REGION



# WE ARE TAKING AN OFFENSIVE APPROACH – THE CONDITIONS HAVE NEVER BEEN SO GOOD

Trelleborg's performance was very strong in 2021. Sales rose by 12 percent, of which organic sales rose by 16 percent. EBIT, excluding items affecting comparability, increased by 26 percent, corresponding to an operating margin of 15.2 percent. Both sales and earnings were the best to date for the Group.

## With 2021 behind us, how would you summarize Trelleborg today?

Today's Trelleborg stands on a very strong platform for the future. Our operating profit in 2021 was at a record-high level, as were our sales and operating margin. We have a very strong financial base, with a solid balance sheet, which is the strongest for decades. Cash flow is also strong. Despite the pandemic, fluctuations in global trade, a shortage of semiconductors, and high logistics and energy costs, we can see that there has been a continued stable trend for the Group.

If we look back ten years in concrete terms, several of our most important key figures have demonstrated an extremely positive trend. Sales and earnings increased annually by 6.9 and 10.2 percent, respectively. In addition, earnings per share increased annually by 10.7 percent and the return on capital employed has averaged 13.5 percent.

All of this demonstrates that our strategy and decentralized organization are functioning, and that we are now ready for the next stage of Trelleborg Group's development.

## So what does the future look like for the company?

In recent years, we have consistently divested operations that either did not fit our business or displayed lower growth than the Group in its entirety. We can now focus fully on continuing to develop the Group and our high-performing and well-positioned business areas.

We are doing so by making additional investments in a number of market segments and niches that are growing more than the industry average, and by accelerating a number of business acquisitions. Overall, this gives us both higher organic and structural growth.

If we were to transfer our reality to the sporting world, it could probably be described as changing from defense to attack.

## Has Trelleborg's focus changed?

Trelleborg's polymer-based products – rubber and plastics as we more commonly say – are and have always been the foundation of the company. Over the years, the Group has developed and moved increasingly higher up the industrial value chain. Today, our principal focus is a number of growing cutting-edge areas, with rigorous requirements, such as the aerospace industry, the automotive industry and healthcare & medical, where polymer-based solutions are essential components.



**Over the years, the Group has developed and moved increasingly higher up the industrial value chain."**

**Peter Nilsson**  
President and CEO



Trelleborg is to be present in market segments and niches in the broad industrial sector that can provide us with market-leading positions. That said, Trelleborg also has a limited presence in the automotive industry.

But it is a common misconception that Trelleborg is dependent on the automotive industry in general and light vehicles in particular. That is incorrect – naturally, we sell products and services to the automotive industry, but within strongly niched and profitable areas that account for approximately 12 percent of the Group's sales. Instead, we have grown in a number of other industrial branches and market segments, where healthcare & medical is the most recent major segment to be added, accounting for 5 percent of sales.

### Why in the broad industrial sector?

It is in industry that we have our base and our expertise. Having a presence in many industrial sectors has been part of a deliberate strategy to make the company more resistant to economic fluctuations, as well as a result of us constantly discovering new areas of application, markets and customers for our polymer products.

In recent years, our product offering has also been enlarged to include considerably more polymer materials, such as epoxy, polyurethane and silicones. The large, and in many respects complete, product offering serves as a unique competitive advantage and the Group is now a global leader in a range of industrial polymer solutions.

### Why is market leadership so important?

Because it gives us better control over pricing and earnings. Trelleborg operates throughout the world and in several different market segments. In all of these, our primary mission is to capture a leading position from which to create the highest possible value for our customers and ultimately, for ourselves.

We are and will be a leading supplier to our customers and a natural partner for innovation when customers want to develop their businesses. Capturing leading positions in various niches and segments is an ongoing process, in which we continuously develop and adapt our portfolio of products and services through research, development and analysis.

### How will Trelleborg advance its positions?

First and foremost, we will do so by virtue of our strong platform. Trelleborg has never been in better condition than it is today. As I said previously, we have stable earnings in all areas of operation, which generates strong cash flow and operating profit. This has not always been the case.

The next logical step is to expand the business by accelerating growth, organically and through business acquisitions.

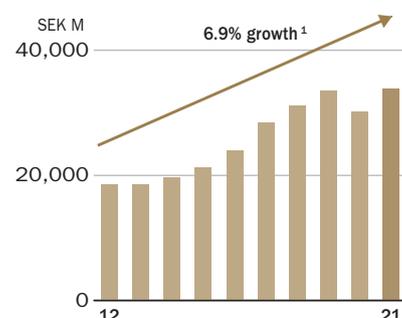
### You also conducted a strategic review?

That's right, at the end of 2019, areas of the Group were highlighted where an improvement of the market position and profitability needed to be made, and we formed a separate reporting segment for these, *Businesses Under Development*. All parts of the review have essentially been complete since the autumn of 2021, and the reporting segment was discontinued in the spring of 2021. This was when it was apparent which parts the Group intended to divest and which had demonstrated the right positioning and earnings capacity to be integrated with our core operations.

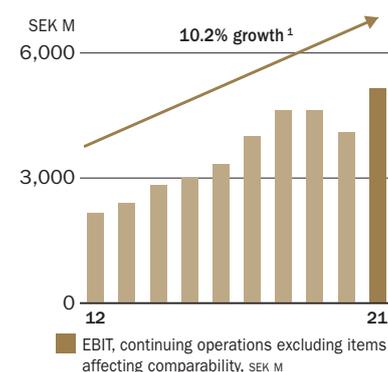
The operations integrated into the Trelleborg Industrial Solutions business area mainly involved solutions related to microspheres that are included in high-quality composite materials, polyurethane solutions for a number of industrial niche applications and a product area with bearings and sealing solutions used in polymer engineering solutions, such as in the installation of offshore wind applications.

With the divestment of the printing blanket operation in November 2021 – for which we are awaiting the competition authorities' approval of the transaction – we have divested six operations with annual sales of approximately SEK 3.2 billion, which corresponds to approximately 10 percent of the Group's net sales.

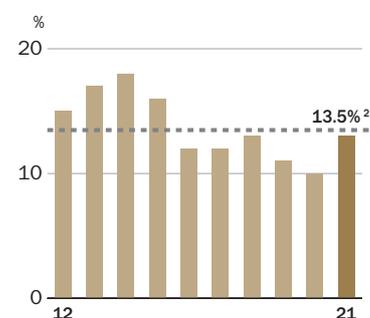
## NET SALES



## EBIT



## ROCE



<sup>1</sup> Average annual rate of growth.

<sup>2</sup> ROCE, %, average over ten years.



**We have finished establishing and refining our platform. Now it is important to accelerate growth successfully and profitably.”**

**Peter Nilsson,**  
President and CEO

**So, what should you do now?**

My response is that we are proud, but not satisfied. Because of this we are preparing for the next chapter in Trelleborg’s story. We have finished establishing and refining our platform. Now it is important to accelerate growth successfully and profitably.

If we disregard the Coronavirus year of 2020, which was different and distinguished itself from Trelleborg’s historical development, and the operations divested in 2016–2019, we can see organic growth with a mean value of 2 percent per year. That’s good, but not good enough. Nonetheless, the figures confirm Trelleborg’s strong underlying business.

Historically, our goal has been to grow organically by 2–4 percent annually, and we have found ourselves in the lower end of this scale. The goal going forward will be to move to the upper end of the scale, with a minimum of 4-percent organic growth.

The way to this goal goes via three different types of routes:

- » Innovation through new industrial products, expanded service offering and comprehensive solutions
- » Differentiation, through an expanded offering, more customer categories and niches
- » Market share, through entry into new geographic markets, and increased sales

**How will you succeed with this?**

We will be present in all areas of the value chain. By this, I mean that Trelleborg will continue to develop world-class products, but offer more value-generating services, which in combination, also becomes a comprehensive solution.

One of the key aspects is to improve our offerings in the aftermarket and to add stable earnings through various services for our products. ServicePLUS and SmartPort are examples of this that already exist.

ServicePLUS is a growing innovative service that involves helping customers to automate replenishment orders for sealing solutions, for example. SmartPort, in addition to products for berthing, docking, and mooring, is also a technology platform that communicates with and provides valuable data to vessels, pilots and harbor authorities. These are areas in which we first sell the products and can then add services to our existing offerings by being receptive to the customers’ needs and being close to their processes.

Another way to continue growing is to move from exclusively delivering products to become a supplier of comprehensive solutions. We see clearly how our repeat customers are seeking an offering beyond simply purchasing a product. Trelleborg will continue building complete offerings that comprise several products, implementation, testing, analysis, and aftermarket service. Our customers save costs and time, and their risks decline when we are alongside them as a partner at all stages of their processes.

**And all this includes geographic expansion as well?**

Yes, another road to growth is our presence in the Asian market. Today, we already have a presence in large countries such as China, Japan, and India, where our sales are steadily growing. Since 2010, Trelleborg has grown by 10 percent annually in Asia and 16 percent in China. We will continue to put major focus on increased sales to both China and the rest of Asia. In some cases, this is achieved together with existing customers, while in others, it is with new customers.

Continuing the transition from a supplier of products to a global partner and service provider is something we have sought to do for a long time, and it is a transition that drives growth. As our customers evolve, Trelleborg accompanies them in their globalization.

**And added to these growth dimensions is the new term “speed boats”.**

The demand for our products and solutions, as well as our expertise, continues to increase, at the same time as the areas of application are multiplying.

In parallel with this, we have launched an intensified focus on what we have chosen to call “speed boats”. The concept is largely based on identifying industries, market segments and customers who are undergoing rapid, positive change. We intend to allocate more resources to these “speed boats” – or, in other words, segments that can act as a driving force, or engine, for other areas. They have had annual organic growth of 5 percent, and are expected to grow at least at the same pace for several years going forward. These customers and segments now comprise a third of Trelleborg’s sales. Using a combination of investments and acquisitions, the objective is that they should comprise half of the Group’s sales in the near future.

**What are the segments that could act as a driving force for the rest of Trelleborg?**

There are several areas with high or very high growth throughout the world.

Ongoing macro trends in healthcare & medical, such as an aging population, are fueling higher technical content in this industry. This is a market that we know will grow significantly for us in the next few years – organically and through business acquisitions.

Due to the pandemic and the resulting dramatic decline in travel, the aerospace industry now accounts for a smaller share of the Group’s sales today than in the past. However, given that the global economy is recovering, and travel is beginning to increase again, we anticipate a significant increase in the aerospace industry’s demand for our products.

Semiconductors currently account for a relatively small share of our sales but they are growing rapidly. It is worth noting that, in Trelleborg’s case, we deliver seals for machines that produce semiconductors. Entry barriers to the area are high but with our expertise, we have good prerequisites to not only retain our strong position, but also expand the business.

Also, in some parts of traditional segments, we anticipate that the demand for advanced seals and other polymer solutions will increase considerably. We see, for example, that the need for our products in battery and sensor technology will increase significantly.

Another industry that is currently emerging is the manage-

ment of hydrogen. Hydrogen is not only volatile, it is also extremely flammable and will therefore require highly advanced seals. The market is still in its infancy, but we expect to take a leading position with products and solutions within the distribution systems that are required for future hydrogen management.

Industrial automation is an area where we are already significant, and we anticipate that demand will continue to increase. This is partly due to increased digitalization and automation, and partly because the trend for chargeable batteries and autonomous vehicles is becoming stronger globally.

#### And acquisitions will be added to this?

Apart from organic growth, we plan to conduct several business acquisitions in the next few years. Acquisitions are a core part of Trelleborg's strategy. We work continuously to identify companies that can improve our offering and our positions. We are mainly interested in small bolt-on acquisitions that can strengthen us in niches or broaden our offering to existing customers.

Our strong balance sheet has led to our announcement that we will buy back own shares in the years to come, but the level of this will partly depend on the pace of acquisitions.

#### And if you summarize all of this?

Taken together, all of our plans form a particularly favorable starting point for accelerated growth.

- » Trelleborg as a company can grow better than the rest of the industry.
- » Trelleborg is continuing its journey of globalization, particularly in Asia.
- » Trelleborg is allocating more resources to fast-growing industries and markets.
- » Trelleborg has divested some companies and will acquire new companies.

We have a strong platform with strong cash flows, steady margins and a robust balance sheet. At the same time we can see a steadily growing market across all of our operations, as well as sectors, segments and so-called "speed boats", which are expected to grow and develop even faster. The conclusion is that Trelleborg could and will achieve growth of as much as 5–8 percent per year, of which the organic component comprises 4 percent.

#### DRIVING FORCE FROM SEGMENTS EXPERIENCING RAPID POSITIVE CHANGE



One third of the Group's operations deliver products and solutions to niches experiencing strong growth. The long-term ambition is to increase this share to half. Other parts of Trelleborg are represented in the broad industrial sector.

#### You also launched new sustainability goals in 2021.

Yes, it is not only Trelleborg's financial goals that have been raised. Our sustainability goals have also been set significantly higher than previous levels of ambition, and we want to be a leader for sustainability in our industry. The clearest expression of this is our vision that Trelleborg as a Group will have net zero emission of greenhouse gases by 2035. There is a bit of time left until then, but we are well on our way. In recent years, we have worked with a long-term approach and methodically to reduce our dependence on fossil fuels. We are improving our manufacturing processes, developing new and cleaner materials, as well as industrial solutions, in parallel with continuously optimizing our collective carbon footprint in all of our operations.

Our sustainability work is ambitious and follows the principles that are typical for Trelleborg as a company. We assume responsibility for the entire business and do so through a decentralized organization. Trelleborg has been skilled in delegating responsibility for sustainability initiatives and regulatory compliance in the various operations. It means that our sustainability work is not only a hygiene issue that comes from a central source, but also occurs at a local level following initiatives and decisions made close to the operations.

#### Some closing words?

None of this envisaged journey of growth would be possible without people. So, our decentralized decision-making and care for our committed employees is naturally a prerequisite for success in achieving our ambitions.

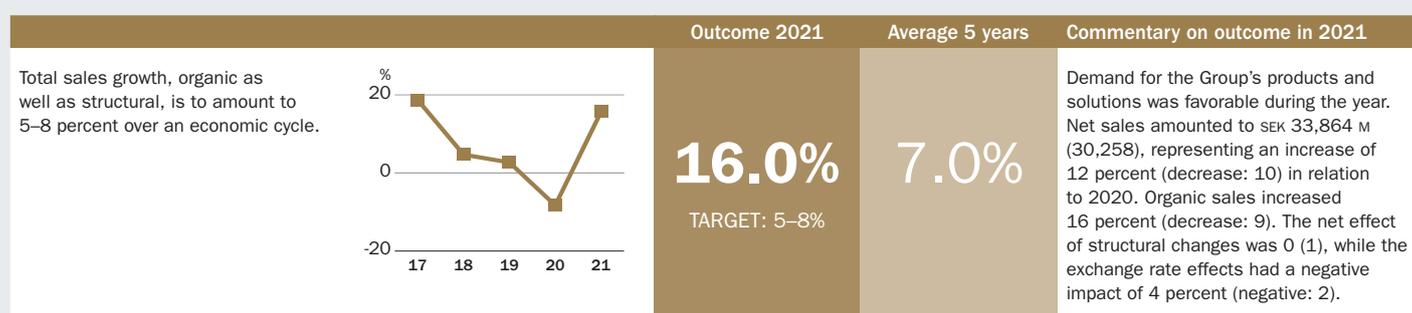
*Trelleborg, February 2022*



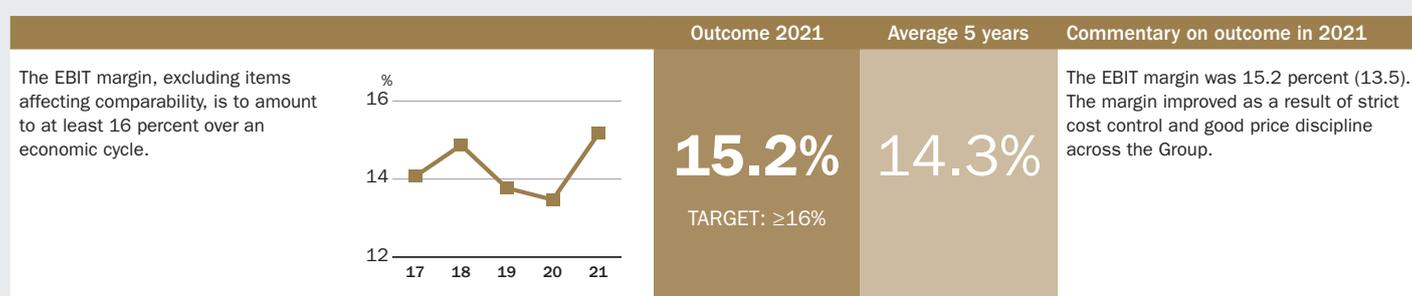
## TARGETS AND OUTCOMES 2021

The performance of Trelleborg was very strong during 2021. At the same time selected key sustainability figures demonstrated a continued positive trend. New financial and new climate targets were presented during the year. The outcome for 2021 exceeded those previously set financial targets.

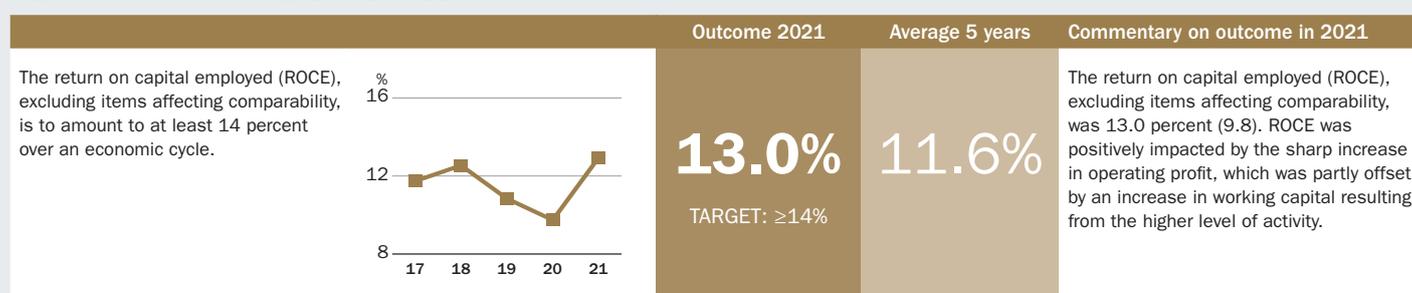
### SALES GROWTH



### EBIT MARGIN



### RETURN ON CAPITAL EMPLOYED



## OPERATIONS

	Outcome 2021	Commentary on outcome in 2021	UN SDGs
<p><b>Health and safety</b></p> <p>The target is to continuously reduce occupational injuries and illnesses that lead to more than one day's absence – Lost Work Cases (LWC). For 2021, the target was less than 2.0 per 100 employees in production operations. For 2022, the goal will be less than 1.0.</p> <p>In addition, the average number of working days lost due to occupational injuries and illnesses is to decrease.</p>	<p><b>1.4</b> LWC PER 100 EMPLOYEES TARGET: &lt;2.0</p>	<p>In 2021, the average was 1.4 LWCs (1.4) per 100 employees in production units, unchanged from the preceding year and below the target of less than 2.0 for the year.</p> <p>New key figure: number of days lost (Lost Work Day (LWD) rate), per 100 employees was 47.</p>	
<p><b>Climate</b></p> <p>The “50 by 25” target aims to reduce direct and indirect carbon emissions (Scope 1 and 2) by at least 50 percent relative to sales by the end of 2025 (compared with base year 2020 of 10.9 metric tons/SEK M).</p> <p>Significant improvements are also to be made in Scope 3 emissions along the value chain during the same period. Trelleborg will set this target in dialog with the Science Based Targets initiative.</p>	<p><b>-10%</b> COMPARED WITH BASE YEAR 2020 TARGET: -50% 2025</p>	<p>In 2021, the value was 9.8 metric tons (10.9) per SEK M, which corresponds to a 10-percent decrease compared with the base year 2020.</p> <p>Efforts to determine emissions in Scope 3 continued during the year. Find out more about Trelleborg's climate target and vision on pages 24–25.</p>	

## COMPLIANCE

	Outcome 2021	Commentary on outcome in 2021	UN SDGs
<p><b>Suppliers</b></p> <p>Suppliers corresponding to at least 80 percent of the reported relevant purchasing spend in the production units are to have completed a self-assessment in accordance with Trelleborg's Code of Conduct.</p>	<p>Trelleborg met the defined target level in 2021 with a good margin. Suppliers corresponding to 89.4 percent (88.9) of the reported relevant purchasing spend in the production units were reviewed.</p> <p><b>89.4%</b> TARGET: &gt;80%</p>	<p>In 2021, a new risk assessment commenced as the basis for supplier reviews to be performed in the forthcoming period, as well as a collaboration with CDP to analyze the climate footprint of selected suppliers. Refer to pages 44–45.</p>	
<p><b>Anti-corruption and human rights</b></p> <p>Zero tolerance applies to bribery, corruption, cartel and other criminal behavior, child labor and forced labor, as well as discrimination (reported and reviewed).</p>	<p>0 cases (0) of significant breaches of laws and permits that resulted in legal consequences or fines were reported in 2021. Similarly, 0 cases (0) of child labor or forced labor were reported.</p> <p><b>0</b> CASES TARGET: 0 CASES</p>	<p>Of 4 reported cases of discrimination (5), all 4 (1) are still being processed.</p> <p>During the year, 18 matters (6) were dealt with that originated from the whistleblower system. The relevant action was taken in the event it was deemed appropriate.</p>	

## SOCIAL ENGAGEMENT

	Outcome 2021	Commentary on outcome in 2021	UN SDGs
<p><b>Local communities</b></p> <p>Trelleborg supports local communities through various community activities. All workplaces with more than 50 employees must have a plan for their social engagement.</p>	<p>In 2021, all workplaces globally with more than 50 employees engaged in community activities with ongoing involvement in line with Trelleborg's central focus for this. Special programs promoting the development of children and young people comprise a central focus for the local commitment. In connection with sports sponsorship – another focus area – youth and community development activities are prioritized. A third focus area for many Trelleborg units is voluntary activities by employees in various social or environmental projects.</p> <p><b>100%</b> TARGET: 100%</p>	<p>Over and above the 100-percent outcome for facilities with more than 50 employees, activities aligned with Trelleborg's social engagement are conducted at the majority of the Group's units.</p>	

# RECORD YEAR FOR TRELLEBORG

The performance of Trelleborg was very strong during the year despite the continued impact of the Coronavirus pandemic on various supply chains, which was a result of a shortage of certain components and raw materials as well as historically high freight costs. Concurrently, the Group issued its first green bond and presented new financial targets in 2021.

## How would you summarize 2021?

It was a successful year when we delivered both record-high operating profit and record-high earnings per share. The performance was particularly impressive given the challenges we faced during the year with sharp increases in prices of raw materials and disruptions to supply chains due to a shortage of certain components and raw materials. There was also a continued shortage of containers in some regions, a lack of personnel and historically high freight costs, and on top of that, significantly higher energy costs in the West during the second half of the year. Overall, the challenges were well managed within the Group as a result of flexible production and implemented price increases on our products.

## Are the new financial targets aggressive?

The targets are ambitious but we aim to achieve these within the next few years. We prefer to set targets that have concrete plans for how we can achieve them in the near future rather than set more long-term targets with a more undefined path. We always try to raise the bar!

## Will there still be cash available following the buyback of shares?

Given the Group's strong financial position – good cash flows that have led to low indebtedness – we definitely have the muscle to continue to grow organically and also to accelerate our business acquisitions. Taken together, we believe that in the years ahead there is scope for business acquisitions and share buybacks of approxi-

mately SEK 15–20 billion. So we have the capacity to do both: accelerated growth and optimized capital structure, both of which contribute to increased shareholder value. The ambition is to buy back approximately SEK 2,000–3,000 m of our own shares per year, subject to approval by future Annual General Meetings.

## Why does Trelleborg have zero sustainable investments to report according to the EU taxonomy?

It is important to understand that the EU taxonomy currently addresses only, and in detail, activities in society with the highest greenhouse gas emissions, such as the cement industry or iron and steel manufacturing, or alternatively activities that enable a sustainable transition of other operations, such as manufacturers of renewable technology that make greener energy production possible.

Component manufacturers, the category to which Trelleborg belongs, are essentially not addressed at all in the EU taxonomy. Consequently, many activities, including Trelleborg's production of engineered polymer solutions, are not currently affected in any material sense by the taxonomy guidelines.

## What is behind the Group's items affecting comparability?

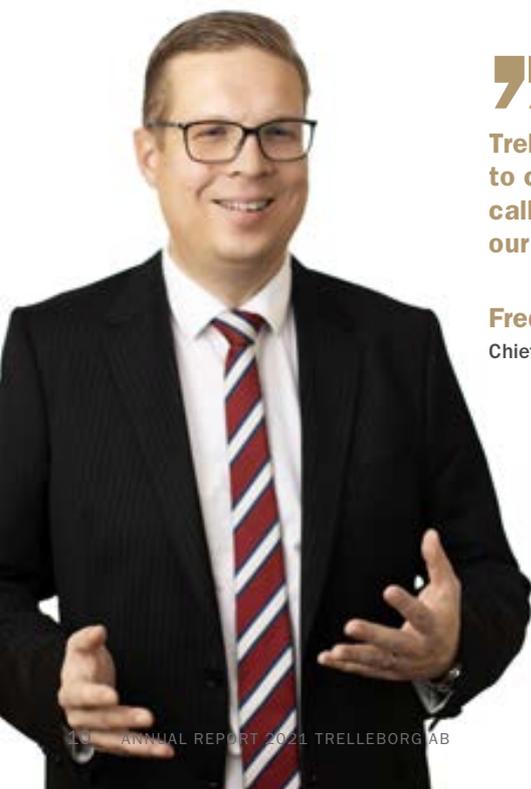
This year's items affecting comparability, negative net SEK 136 m, include capital gains from a number of property sales, as well as nonrecurring costs linked to efficiency measures mainly in production and sales.

The Group's restructuring costs in the years ahead are expected to amount to less than 1 percent of consolidated net sales. We will continue to implement efficiency measures in our business areas. The annual amount will vary depending on the number of business acquisitions we complete since most of our restructuring is linked to the implementation of synergies.

## Can you give examples of green investments?

The green bond we issued in September will finance projects that continue to support and develop Trelleborg's ongoing and future energy efficiency initiatives in production and administration. For example, we are currently finalizing a new European logistics center near Stuttgart, Germany, which is certified in accordance with the German DGNB standard for sustainable buildings.

We have also installed more solar panels at a number of our production sites, such as in Bengaluru, India and Malta. We have also decided to invest in new cooling equipment at the production site in Ersmark, Sweden, which will reduce the Group's annual water use by almost 10 percent.



”

**Trelleborg has the muscles to continue to grow organically and also to accelerate our business acquisitions.”**

**Fredrik Nilsson,**  
Chief Financial Officer

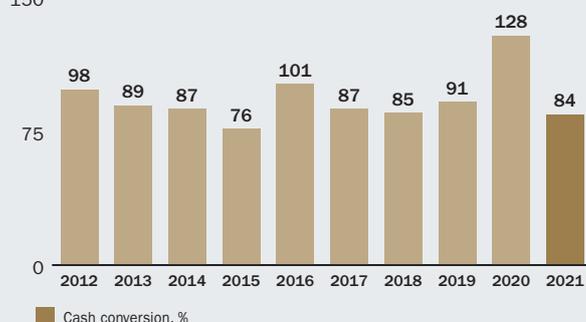
Key figures, continuing operations, SEK M	2021	2020	2019	2018	2017
Net sales	33,864	30,258	33,573	31,117	28,441
Organic sales, %	16	-9	0	4	7
Structural changes, %	0	1	3	1	12
Exchange rate effects, %	-4	-2	5	4	0
EBIT, excluding items affecting comparability	5,151	4,095	4,642	4,628	4,011
EBIT margin, %	15.2	13.5	13.8	14.9	14.1
Items affecting comparability	-136	-318	-1,099	-140	429
EBIT	5,015	3,777	3,543	4,488	4,440
Profit before tax	4,839	3,511	3,198	4,235	4,237
Net profit, discontinuing operations	50	54	-2,467	-5	-373
Net profit, Group	3,716	2,711	-199	3,190	2,874
Earnings per share for continuing operations, SEK <sup>1</sup>	13.53	9.81	8.37	11.79	11.98
Earnings per share for continuing operations, SEK <sup>2</sup>	13.95	10.44	11.97	12.24	10.60
Earnings per share, Group, SEK <sup>1</sup>	13.71	10.00	-0.73	11.77	10.60
Operating cash flow	4,347	5,227	4,231	3,948	3,504

<sup>1</sup> Including items affecting comparability.

<sup>2</sup> Excluding items affecting comparability.

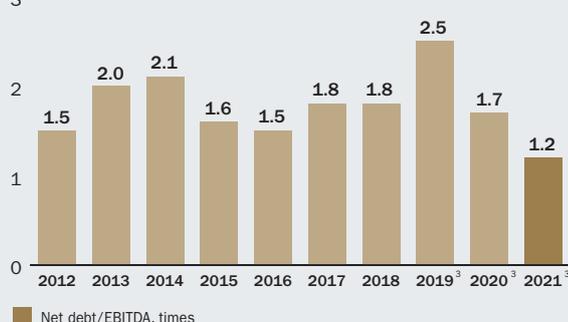
## CASH CONVERSION RATIO

Cash conversion, %  
150



## NET DEBT IN RELATION TO EBITDA

Times  
3

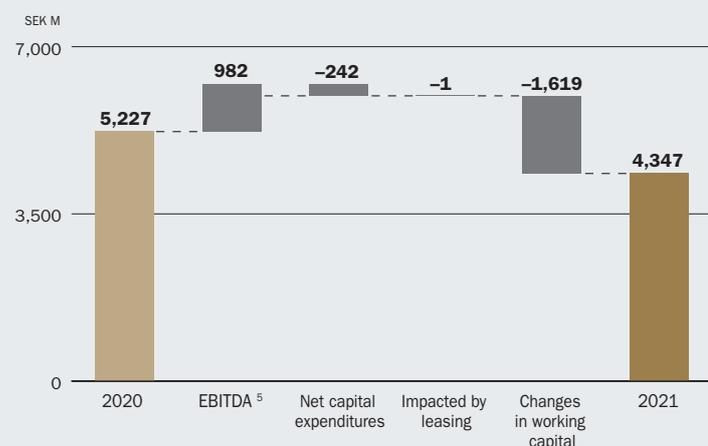


<sup>3</sup> The Group's net debt including lease and pension liability.

The cash conversion ratio was 84 percent and was at a stable level despite the higher level of activity and higher investments in 2021.

Net debt/EBITDA continued to improve in 2021.

## OPERATING CASH FLOW, CHANGE BETWEEN 2020 AND 2021 <sup>4</sup>



<sup>4</sup> Excluding items affecting comparability.

<sup>5</sup> Including other non-cash items and excluding impact from IFRS 16 Leases.

Operating cash flow declined in 2021 compared with the exceptionally strong cash flow in 2020. The higher operating profit had a positive impact on cash flow. At the same time, working capital increased, driven by higher sales. The rate of investment was slightly higher and returned to a normal level.

## LONG-TERM FINANCIAL GUIDANCE

- » Dividend: 30–50 percent of net profit
- » Capital expenditures: 3.5–4 percent in relation to net sales
- » Restructuring: <1 percent in relation to net sales
- » Cash conversion ratio: >90 percent
- » Net debt/EBITDA: <2x

For complete income statements, balance sheets and cash-flow statements, refer to pages 70–78.

# STOCK MARKET YEAR FOR THE TRELLEBORG SHARE

2021 was an eventful stock market year with strong growth despite the ongoing pandemic, trade barriers and component shortages. In total, Nasdaq Stockholm rose 35 percent. The performance of the Trelleborg share was also positive during the year with an increase of 30 percent.

**Share performance.** The price of Trelleborg's Series B share increased 30 percent (8) in 2021, while the index of comparable industrial companies, Stockholm Industrials SX50PI, rose 38 percent (13). Nasdaq Stockholm, in its entirety, increased 35 percent (13).

**Total yield.** The Trelleborg share's total yield during the year was 33 percent. This compares with a 39-percent increase for the OMX Stockholm Gross Index GI. The average total yield over the past five years was negatively affected by the pandemic as a result of the decision to not pay a dividend in 2019 and amounts to 10 percent per year. The corresponding figure for OMX Stockholm GI is 19 percent.

**Share price and turnover.** In addition to Nasdaq Stockholm, the Trelleborg share is traded on such marketplaces as Cboe Global Markets and LSE Group. Cboe Global Markets was the largest, with approximately 47 percent (42) of the share trading in 2021.

Total trading in the Trelleborg Series B share in 2021 amounted to 159 million shares (308) at a total value of SEK 33,133 m (43,892), which corresponds to an average daily turnover of 627,130 shares (1,223,844) or SEK 131 m (174) per trading day. During 2021, the highest trading price was SEK 241.40 on December 28, and the lowest price was SEK 181.00 on January 5 and October 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 Foundations, comprising a number of foundations, donation funds and asset-management companies created through testamentary disposition by former owner and founder of Trelleborg AB, Henry Dunker, who died in 1962. For further information about the Dunker Foundations and its holding in Trelleborg AB, visit [www.trelleborg.com](http://www.trelleborg.com) and [www.dunkerstiftelsen.se](http://www.dunkerstiftelsen.se).

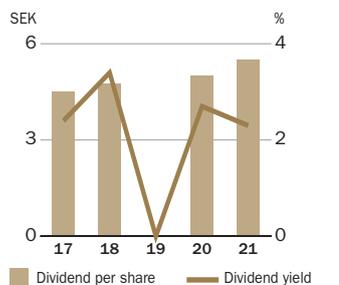
**Analysts.** For a current list of the analysts who continuously monitor Trelleborg, visit [www.trelleborg.com](http://www.trelleborg.com).

## DIVIDEND

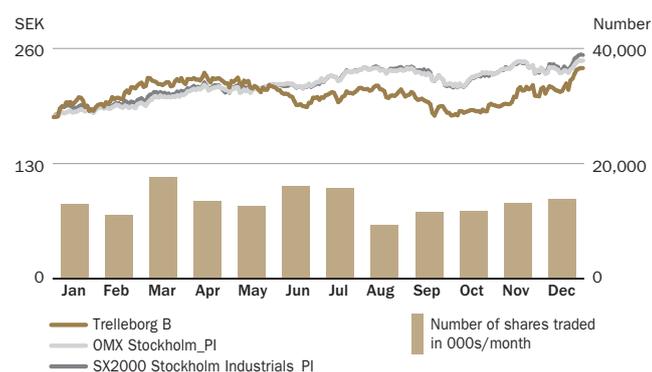
Trelleborg's dividend policy is that, over the long term, the dividend should amount to between 30 and 50 percent of the net profit for the year. The dividend is adjusted for such factors as the Group's earnings level, financial position and future development potential.

For the 2021 fiscal year, the Board proposes a dividend of SEK 5.50 (5.00) per share, which corresponds to about 40 percent of the net profit for the year.

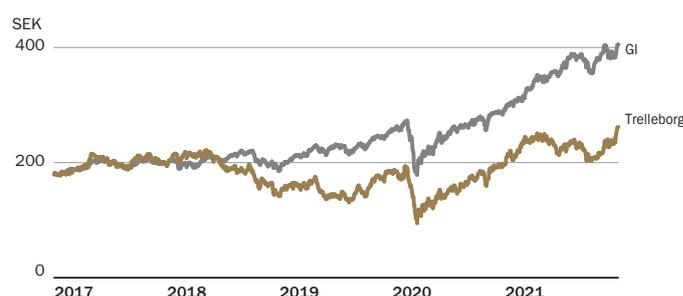
## DIVIDEND PER SHARE AND DIVIDEND YIELD



## PRICE TREND AND TRADING VOLUME, JANUARY 1 – DECEMBER 31, 2021



## TOTAL YIELD, TRELLEBORG COMPARED WITH OMX STOCKHOLM GROSS INDEX (GI)



Source: WebFinancialGroup

## KEY DATA PER SHARE

SEK	2021	2020	2019	2018	2017
<b>Continuing operations</b>					
Earnings	13.53	9.81	8.37	11.79	11.98
Earnings, excluding items affecting comparability	13.95	10.44	11.97	12.24	10.60
<b>Total</b>					
Earnings <sup>1</sup>	13.71	10.00	-0.73	11.77	10.60
Shareholders' equity <sup>1</sup>	121.70	106.78	106.43	109.81	100.40
Dividend <sup>2</sup>	5.50	5.00	- <sup>3</sup>	4.75	4.50
Dividend as a % of earnings per share	40	50	- <sup>3</sup>	40	42
Dividend yield, %	2.3	2.7	- <sup>3</sup>	3.4	2.4
Total dividend, SEK M	1,491	1,355	- <sup>3</sup>	1,288	1,220
P/E ratio	17	18	-231	12	18

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

<sup>2</sup> As proposed by the Board of Directors.

<sup>3</sup> No dividend was paid in 2020 for the 2019 fiscal year, in accordance with the resolution of the Annual General Meeting.

## SERIES B SHARE

SEK	2021	2020	2019	2018	2017
Highest price	241.40	184.85	174.75	215.10	212.20
Lowest price	181.00	86.68	119.55	134.70	173.20
Market price, Dec. 31, last paid price	237.80	182.50	168.55	139.35	190.00
Market capitalization, Dec. 31, SEK M	64,461	49,471	45,689	37,774	51,504
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
No. of shareholders	53,838	51,061	52,662	48,125	49,709

## TRELLEBORG AB'S TEN LARGEST SHAREHOLDERS, DECEMBER 31, 2021

Shareholder	TREL A (No. of shares)	TREL B (No. of shares)	Value (SEK M)	% of capital	% of voting rights
1 Henry Dunker Donation Fund & Foundations	28,500,000	400,000	7,161 <sup>4</sup>	10.66	54.10
2 Lannebo Funds		13,015,429	3,225	4.80	2.47
3 Handelsbanken Funds		11,812,092	2,927	4.36	2.24
4 Vanguard		7,671,315	1,901	2.83	1.45
5 Tweedy, Browne Company LLC		4,958,546	1,229	1.83	0.94
6 Allianz Global Investors		4,846,003	1,201	1.79	0.92
7 Länsförsäkringar Funds		4,663,838	1,156	1.72	0.88
8 Nordea Funds		4,651,013	1,153	1.72	0.88
9 Norges Bank		4,588,797	1,137	1.69	0.87
10 BlackRock		4,291,414	1,063	1.58	0.81

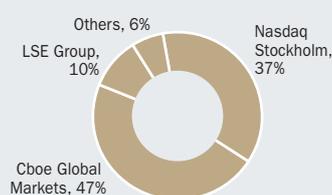
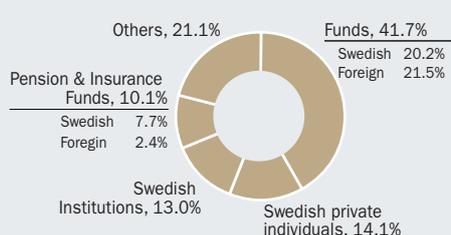
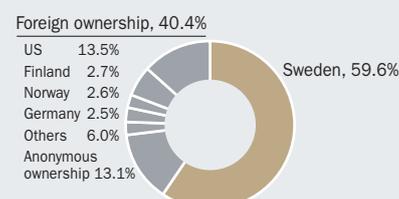
<sup>4</sup> TREL A is not traded on any marketplace but is assessed as having the same value as TREL B.

## DISTRIBUTION OF SHARES, DECEMBER 31, 2021

No. of shares	No. of shareholders	% of capital	% of voting rights
1-1,000	45,381	4.2	2.2
1,001-5,000	6,941	5.6	2.9
5,001-20,000	1,130	3.8	1.9
20,001-	386	86.4	93.0
<b>Total</b>	<b>53,838</b>	<b>100</b>	<b>100</b>

## CLASS OF SHARES, NUMBER OF SHARES, CAPITAL AND VOTES

Class of share	No. of shares	% of capital	% of voting rights
Series A shares	28,500,000	10.5	54.0
Series B shares	242,571,783	89.5	46.0
<b>Total</b>	<b>271,071,783</b>	<b>100</b>	<b>100</b>

TRADING PLATFORMS,  
% OF TOTAL TRADINGOWNER TYPES,  
% OF CAPITALOWNER 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



**+538°C**

The temperature in an aircraft engine.

With Trelleborg's fire seals for extremely high temperatures, the global aerospace industry can build safer, lighter and faster aircraft.

# No more compromises

It's a conundrum that aircraft manufacturers have faced for many years: how to reconcile the conflicting needs of engine heat – which boosts thrust, optimizes engine efficiency and lowers fuel consumption – with keeping passengers safe.



**“Up until now, there has been no fire seal that can operate at such high temperatures.”**

Quinn Collett,  
General Manager for aerospace airframe seals

**T**he key to it is fire seals, which are found in the plane’s fuselage, pylons, thrust reversers and engines. They act as a barrier to prevent airflow from one area of the plane to another during normal operating conditions.

But as aircraft manufacturing has developed, designers have been striving to run plane engines at higher and higher temperatures. The latest planes are operating north of +538 °C, significantly higher than their predecessors. And with that sort of heat, existing fire seals have not been able to do the job without secondary thermal protection. This increases the number of parts required and consequently weight, making the airplane heavier and constraining its potential speed.

**Trelleborg has** been supplying fire seals for decades and its range of products are well-established in the market, but Trelleborg describes the *Ultra High Temp Seal* as ‘the next generation’.

“Up until now there has been no high

temperature fire seal that can operate up to +538 °C and also meet all the customer requirements for a fire seal. There has always been a compromise,” explains Quinn Collett, General Manager for aerospace airframe seals at Trelleborg.

The *Ultra High Temp Seal* works by preventing airflow and flame penetration from one area of the aircraft to another and is fully operational with minimum compression set over a seal compression range of 15 to 40 percent. This means it retains positive contact with the surrounding hardware over the seal compression range.

**And finally,** here’s what seals the deal. The fact that the fire seal doesn’t need the assistance of thermal protectors reduces weight and part count. This allows the airplane to be lighter and faster due to weight reduction and optimized engine heat, while lowering fuel consumption - and all this while ensuring the utmost in passenger safety. It’s an ideal and lasting solution to a longstanding conundrum. ■

## BUSINESS CONCEPT

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

# VALUE GENERATION AT TRELLEBORG

### BETTER PLATFORM THAN EVER

Trelleborg's way of achieving results – a strongly decentralized organization built on local responsibility and personal dedication – form the basis of the Group's model for profitability and business success.

Despite the turbulence in its operating environment, Trelleborg delivered a strong financial performance in recent years. Trelleborg's financial capacity is healthy.

Since 2019, the Group has divested a number of companies and those remaining are well-performing and well-positioned businesses.

### ACCELERATED GROWTH

A number of segments have been identified as growing more than the industrial average in the years ahead – Trelleborg is therefore placing additional focus on developing its business in these segments.

The fast-growing segments will act as a driving force for other areas at Trelleborg, which through innovations, differentiation and greater global reach is expected to grow in the upper range of the industrial average.

There will be a greater focus on company acquisitions that strengthen Trelleborg in attractive market segments.

### GOAL: SUSTAINABILITY LEADER IN THE INDUSTRY

Trelleborg is working systematically to increase the share of bio-based and recycled raw materials in everything it develops.

The Group has ambitious climate targets for its own operations, aiming for net zero emissions by 2035, and has committed to setting a Science Based Target.

With longstanding efficiency efforts and targets such as these, resource efficiency and circularity are becoming part of Trelleborg's DNA.

#### ► STRATEGY

**Strategy for leading positions.** Trelleborg's strategy is to secure leading positions in selected segments. In these segments, Trelleborg is further positioning itself in attractive niches or product categories with the aim, in each individual case, of being among the three top players in terms of market share. Trelleborg is constantly searching for niches where the Group's accumulated knowledge offers market leadership. In this manner, long-term shareholder value and added value are generated for customers. Read more on pages 19–25.

#### ► CORE VALUES

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

#### ► CORPORATE CULTURE

**Trelleborg's culture.** The Group is characterized by far-reaching delegation of responsibilities and powers and encourages rapid decisions. Trelleborg has a culture that promotes commitment, responsibility and good ethics in business relationships, as well as a positive interaction with the community wherever the Group conducts operations.

► **GENERATED ECONOMIC VALUE**

In total in 2021, Trelleborg's continuing operations generated economic value totaling SEK 34,407 M (30,510). This value includes all forms of revenue. The diagram lists the percentage distribution for the stakeholder groups. For absolute values, refer to page 134.

**Customers:**

- » Innovative solutions that seal, damp and protect
- » Better functionality, business and sustainability
- » Customer satisfaction

► **DISTRIBUTED ECONOMIC VALUE**

SEK 30,125 M (25,949) was distributed among stakeholders as shown below:

**Suppliers:**

- » Payment for material and services
- » Evaluation according to Trelleborg's stringent requirements

58.7%

**Employees:**

- » Salaries and benefits
- » Health and safety
- » Job satisfaction
- » Personal development

32.6%

**Shareholders:**

- » Share price trend
- » Dividend

4.5%

**Society:**

- » Tax revenue
- » Job opportunities
- » Trelleborg's social engagement

3.2%

**Creditors:**

- » Interest income

1.0%

**BESPOKE STRATEGY FOR EACH BUSINESS**

A common feature shared by all parts of Trelleborg is its engineered polymers with completely unique sealing and damping properties. The longstanding customer relationships are all built on close innovation collaboration with renowned industrial players.

Trelleborg's operational businesses are different and therefore have bespoke strategies to achieve leading positions in their markets.

**NEW HORIZONS FOR TRELLEBORG**

The technological development and climate transition in society worldwide favor the Group, and Trelleborg is involved in developing the industrial solutions of today.

The Group has strengthened its financial targets and is ready for the new reality.

► **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.

► **COMPETITORS**

**Few comparable competitors.** Competition in the various markets largely comprises smaller companies that are regional specialists in one or more niche markets in various market segments or product categories. Read more on page 29.

# GLOBAL TRENDS THAT INFLUENCE TRELLEBORG

For Trelleborg, it is important to keep sights on the long-term objective, to continue to focus operations on the markets and segments that have the greatest potential for profitable growth and favorable value appreciation.

**Demand for advanced products and solutions.** Global trends influence the Group's choice of market presence and Trelleborg continuously monitors and evaluates these to adopt the right position and capitalize on opportunities in various segments and niches.

At an overall level, demand exists for:

- » Advanced, engineered and integrated solutions
- » Qualified material properties for particularly demanding, critical applications
- » Comprehensive solutions that enable our customers to focus on their core businesses

Furthermore, the rapid technological development requires organizations that encourage intrapreneurship and rapid decisions, in order to be successful and to assume a market-leading position.

**Development that favors Trelleborg.** Rapidly advancing technological development is taking place, with increasingly stringent quality standards and focus on product safety in parallel with a transition of the global community toward more sustainable energy consumption, adaptations to climate changes and more circular use of resources. Industrial companies worldwide must quickly adjust their operations to the new reality. These needs are good for Trelleborg.

With Trelleborg's material expertise and industry insight into cutting-edge areas with rigorous requirements, such as the aerospace and automotive industries, as well as healthcare & medical, the Group is creating the sustainable industrial solutions of today, shaped by such trends as electrification, digitalization, industrial automation and new sustainable materials.

## GENERAL GLOBAL TRENDS



### Geoeconomic and political changes

- » Growth in Asia demonstrates a shift of power toward the east.
- » Traditional western power structures are changing.
- » Economic growth at risk of being curtailed by political and social challenges.



### Accelerated technological development

- » New technological and cost-effective solutions are being developed at a very high pace.
- » Resources are being used to find values in big data for increased digitalization of goods and services.



### Interconnected markets and urbanization

- » Urbanization entails growing demands for efficient cities and also a sustainable countryside that can produce more for more people.



### Resource efficiency for sustainability

- » Globalization is moving markets and people closer together, resulting in rising global trade, increased transportation and flows of capital.
- » Population growth and economic growth in certain geographies is making demands on a more efficient yet sustainable society.
- » Negative climate changes and scarce natural resources are major challenges for all stakeholders.
- » Calls for a greater share of renewable energy and lower emission levels stimulates demand for products and processes that result in increased sustainability and a higher degree of circularity.

# TRELLEBORG'S STRATEGY FOR LEADING POSITIONS

Trelleborg operates in market segments where the Group, on the basis of global trends, has the best conditions for achieving leading positions and favorable profitability.

**Trelleborg's strategy is to secure leading positions in selected segments.** In these selected segments, Trelleborg is further positioning itself in attractive niches or product categories with the aim, in each individual case, of being among the three top players in terms of market share. Trelleborg is constantly searching for niches where the Group's accumulated knowledge offers market leadership.

Both Group-wide and in the business areas, Trelleborg's strategy work is supported by four strategic cornerstones that – individually and in combination – underpin the strategy. The strategic cornerstones are:

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

The chosen segments, the high level of knowledge and the entry barriers the niches have to competitors offer Trelleborg a clear advantage when it comes to creating long-term value for shareholders.

The Group is present in segments and niches in the broader industrial sector, and a number of segments and niches that are in a period of rapid positive change. Two-thirds of the Group's operations deliver products and solutions to the broader industrial sector, and one third is focused on niches experiencing strong growth.

**Growth at least in line with the market.** The underlying market for the broad industrial sector is expected to grow by 2–4 percent<sup>1</sup> per year. Trelleborg's ambition is to grow in the upper range of this scale. The Group is working in a structured way to achieve this target by differentiating itself in various ways from its competitors while offering greater values to customers:

- » Innovation: new industrial products, expanded service offering and comprehensive solutions
- » Differentiation: expanded offering, more customer categories and niches
- » Market share: entry into new geographic markets, and increased sales

Examples of product niches in the industrial sector include antivibration solutions for rail vehicles, pipe seals in waste water systems for infrastructure projects or hose systems for industrial applications.

**Driving force from segments experiencing rapid positive change.** A number of segments and niches are experiencing high or very high growth and Trelleborg will have a particular focus on these moving forward in order to participate in their growth journey.

The long-term ambition is that the Group's presence in these segments and niches will grow from constituting one third to one half of Trelleborg's sales.

Examples of product niches in segments experiencing rapid, positive change are seals for semiconductors, batteries and sensor technology.

## PORTFOLIO OPTIMIZATION

**Presence in profitable segments.** The Group is pursuing focused systematic activities involving a number of growth initiatives on several levels and in different areas.

The business portfolio is being continuously reviewed to assess how the Group can continue to improve its positions in selected niches. The rate of investment is, therefore, high as is the pace of development for new products and solutions.

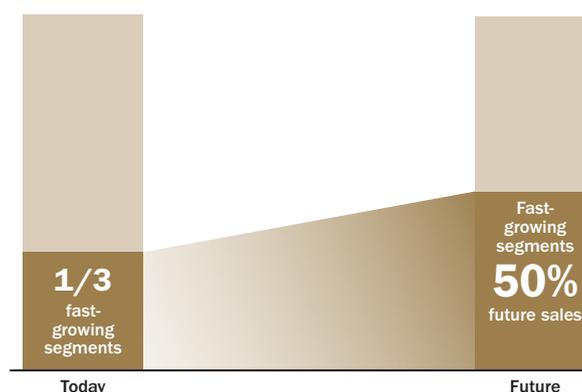
Initiatives can be launched in several dimensions. They may, for example, concern the expansion into new closely-related segments, technologies or applications, or to new geographical areas.

One explanation for Trelleborg's success is that its products and solutions are often critical to the functionality of the customers' advanced end products. One good example is sealing solutions in an aircraft's landing

## PORTFOLIO OPTIMIZATION

Target attractive niche positions by adapting products and solutions as well as customer structures.

## HIGHER PRESENCE IN SEGMENTS EXPERIENCING HIGH GROWTH



<sup>1</sup> Source: Industrial Production index

gear. While they are critical to the function of the aircraft, the solutions make up a relatively small share of the total cost for a customer's end product – the finished aircraft. Another example is sealing solutions for offshore wind farms. The seals are small components in this context, but they are crucial if these massive structures are to withstand the harsh marine environment.

Another reason is the high entry requirements present in cutting-edge areas with rigorous requirements, such as the aerospace, automotive and healthcare & medical industries and also food and beverage production. Trelleborg's material expertise and industry insight combined with its financial strength and broad geographic presence provide a strong competitive advantage.

**Growth target of 5–8 percent.** Trelleborg's overall target is to grow organically by more than 4 percent over an economic cycle. In addition, there is an expected structural growth in the form of acquisitions, which is why the growth target is 5–8 percent over an economic cycle.

**Growth through acquisitions.** Acquisitions are a core feature of Trelleborg's strategy and the Group acquires businesses in attractive niches where opportunities exist to achieve competitive advantages and a leading position. The acquisitions are often small bolt-on acquisitions. The drivers behind

Trelleborg's business acquisitions are to become more rapidly established in closely related segments, obtain technologies or applications, but also to gain access to new geographies.

**Enhanced market exposure.** Operations may be divested and these primarily involve activities that are, for various reasons, no longer seen as belonging to the core business or lack the necessary development potential. Changes to the business portfolio also take place to achieve a less cyclical market exposure, which improves the Group's prospects to report consistent earnings even when adverse cyclical fluctuations occur in individual segments.

One such example is Trelleborg's transition from being a major and broad supplier ten years ago to the highly competitive automotive industry – at the time it accounted for approximately one third of sales but today this figure is one tenth. The Group is now instead world leader in some of these profitable niches, such as brake shims and automotive boots, and is well-positioned in the current electrification.

**Phase out of oil & gas.** In 2021, the strategic review from 2019 was concluded, which entailed an evaluation of various structural initiatives for a number of operations. Companies with total sales of more than SEK 3,200 M were divested, including the agreement to divest the Group's printing blanket operation,

SEGMENTS EXPERIENCING HIGH GROWTH

HEALTHCARE & MEDICAL

ANNUAL GROWTH<sup>3</sup>:

+6%

TRENDS:

- » Aging population.
- » Increased digitalization resulting in automation and artificial intelligence.



TRELLEBORG:

Seals and components in medical technology and equipment.

AEROSPACE

ANNUAL GROWTH<sup>4</sup>:

+6%

TRENDS:

- » Demand for lightweight materials.
- » Development of electric modes of transportation.
- » Demand for bio-based fuels.



TRELLEBORG:

Seals, coated fabrics and composites in aircraft and ground support equipment.

SEMICONDUCTORS

ANNUAL GROWTH<sup>5</sup>:

+9%

TRENDS:

- » Increased digitalization resulting in automation and artificial intelligence.
- » Growing middle class.



TRELLEBORG:

Seals for machinery that produces semiconductors.

## STRUCTURAL IMPROVEMENTS

Adapt structures, capacities and capabilities to support growth and efficiency.

which is expected to be concluded in the first half of 2022.

The divestment of operations in offshore oil & gas significantly reduced the Group's exposure to a highly cyclical as well as fossil-based industry.

## STRUCTURAL IMPROVEMENTS

### New business models in response to demand.

Trelleborg's focus is on developing its operations and localizing them to areas where Trelleborg can grow and recruit the right talent and do the best job. However, it is also about developing offerings that make life easier and increase value for customers, and developing and working within new business models.

**Increasing share of service offerings.** There are examples within Trelleborg of businesses where the focus is on services rather than products. This part of the Group has grown and will grow over time and, together with its products, will provide the Group with a stronger position throughout the value chain.

Trelleborg offers, for example, SmartPort, a collective term for Trelleborg's intelligent marine systems solutions. These are products and equipment for berthing, docking and mooring but also a technology platform that communicates with and provides valuable data to vessels, pilots and port authorities, in order to make navigation and berthing more efficient and safe.

## DIVESTMENTS 2021

	Sales (2020), SEK M	Employees
Agreement to divest the global printing blanket operation <sup>1</sup>	1,200	640
Czech operation in technical rubber products	560	950
Norwegian offshore oil & gas operation	310	185
UK offshore oil & gas operation	580	270
<b>Total</b>	<b>2,650</b>	<b>2,045</b>

<sup>1</sup> The divestment is expected to be completed in the first half of 2022.

## ACQUISITIONS 2021

	Sales (2020), SEK M	Employees
Division in Alpha Engineered Composites (manufacturing coated fabrics) <sup>2</sup>	90	0
VB Seals Inc. (service and distribution of seals)	120	20
Gutteling Group BV (supplier of composite hoses)	115	65
<b>Total</b>	<b>325</b>	<b>85</b>

<sup>2</sup> Asset-transfer acquisition, sales estimated for 2021.

## POCKETS OF GROWTH IN TRADITIONAL SEGMENTS

ANNUAL GROWTH<sup>5</sup>:

~30%

TRENDS:

- » Green modes of transportation.
- » Increased digitalization resulting in automation and artificial intelligence.
- » Transition to hydrogen gas production.

TRELLEBORG:

Seals in batteries and for sensor technologies.

## INDUSTRIAL AUTOMATION

ANNUAL GROWTH<sup>6</sup>:

+20%

TRENDS:

- » Increased digitalization resulting in automation and artificial intelligence.
- » Autonomous vehicles.

TRELLEBORG:

Sealing solutions for industrial and autonomous robots.

<sup>3</sup> Sources: McKinsey Global Institute, 33 EvaluatePharma®

<sup>4</sup> Sources: McKinsey Global Institute, Teal Group World Aircraft Forecast

<sup>5</sup> Sources: McKinsey Global Institute, external industry experts

<sup>6</sup> Sources: McKinsey Global Institute, Teal Group World Aircraft Forecast

**Increasing share of comprehensive solutions.** 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 other digital channels, such as web-based and mobile applications. As a result, Trelleborg's business is increasingly shifting from solely supplying products to also delivering services and solutions.

For example customers in healthcare & medical, Trelleborg's Rapid Development Center offers a single partner for design, rapid prototyping, development, and serial production, ensuring cost control and scalability of customers' solutions. The purpose of the center is to respond to customer needs to accelerate time to market, reduce the production cost of parts already in market and improve the transition from design to serial production.

### GEOGRAPHICAL BALANCE

Presence in geographies that enable profitable growth.

### GEOGRAPHICAL BALANCE

**Proximity to customers with a complete offering.** Trelleborg sees strength in the ability to combine a strongly decentralized and local organization with the competence and financial strength of the global

company. Business decisions are to be made as close to the customer as possible, which creates competitive flexibility and market and customer knowledge. Moreover, the Group will be less affected by economic and currency fluctuations in business cycles, as well as potential trade barriers or pandemics, by having a balanced geographic presence.

Trelleborg therefore has production capacity worldwide and over the next few years will start manufacturing operations in Russia, Vietnam and Japan, which will be the Group's first own production facilities in these countries.

**Expanded presence in Asia.** Over the past decade, Trelleborg has noted very healthy growth in Asia and sales in China alone amounted to SEK 2,573 M in 2021. Most of manufacturing in China is sold in the country and the ambition is for continued growth in the major domestic market. The Group's goal is also to increase its presence in parts of Southeast Asia and countries such as Korea. This will be achieved through organic growth initiatives and acquisitions.

The principal drivers for Trelleborg 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 SOLUTIONS FOR SUSTAINABILITY AND THE UN SUSTAINABLE DEVELOPMENT GOALS

Trelleborg's products and solutions offer a range of solutions that satisfy the vital needs of society. This becomes clear when put in relation to the UN Sustainable Development Goals, particularly for:

- » Sustainable cities and infrastructure
- » Sustainable environmental and energy solutions
- » People's health and food security

The Group's commercial progress is based on these solutions and is therefore also connected to sustainable social development, see the examples on pages 22–25 and in the table on page 126.

The triangle Trelleborg – Customers – Society forms a relationship where all parties reap the benefits achieved from Trelleborg's innovative solutions for better sustainability.

### TRELLEBORG'S SOLUTIONS



#### GOAL 2 Zero hunger

Requirements for sustainable solutions, advanced automation and compliance with stringent standards – these are just a few of the challenges facing manufacturers in the food industry. Trelleborg's hoses help to resist abrasion, punctures caused by pointed objects and microbiological impact. Trelleborg's seals must withstand oils, acids, salts and other media used in manufacturing, when hygiene and cleanliness are imperative.

## EXCELLENCE

**Excellence in core processes.** In addition, Trelleborg conducts systematic internal work to further improve key processes, such as purchasing, manufacturing and sales, as well as issues concerning the supply chain and leadership development. This is achieved through training, which creates awareness and insights via Trelleborg Group University, through adapted tools, such as various Lean production principles, which improve efficiency and increase productivity, as well as by monitoring via adapted project tools.

Manufacturing Excellence is the oldest of these initiatives and the program has been running for more than ten years. The purpose of Manufacturing Excellence 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*. A safe work environment and resource efficiency are integrated parts of Manufacturing Excellence, and continuous energy optimization – Energy Excellence – has been part of the program from the very start. Refer to pages 38–39 and 131.

## EXCELLENCE

Continuously improve and raise the bar in the internal core processes of the business.

## TRELLEBORG'S SOLUTIONS



### GOAL 3 Good health and well-being

Highly engineered components for drug delivery systems are being developed at a rapid pace. Active pharmaceutical ingredients (API) are incorporated in Trelleborg's molded components in Liquid Silicone Rubber (LSR). The applications are used, for example, as additives for antibiotics to prevent infections in such items as catheters or comprise medication that targets specific body parts in a controlled and optimized manner.



### GOAL 6 Clean water and sanitation

Modern societies require well-functioning underground pipeline systems that provide fresh water and remove waste water. Trelleborg's flexible pipe connectors including seals for concrete pipes and manholes allow for lateral joint movement. The products have significantly fewer breaks and leaks than conventional, nonflexible pipes, particularly in places where earthquakes are common.

## HALVED EMISSIONS IN FIVE YEARS

Trelleborg's "50 by 25" climate target was launched in February 2021.

### SUSTAINABILITY STRATEGY

**Decentralized sustainability strategy.** During the year, the sustainability strategy for Trelleborg as a whole was clearly advanced under the slogan *Protecting the Essential*. The Group's focus areas stretch from the environment to health and safety; from compliance to ethical relations with all stakeholders and with society as a whole. Trelleborg's business areas have developed internal performance indicators that reflect the sustainability agenda, adapted to the respective operation.

**There is an increase in the number of circular transactions.** For Trelleborg, circularity is a consistent ambition to continue resource efficiency by finding different ways to close the loop and reuse whole products, parts of products or input materials, with the primary aim of reducing resource consumption or alternatively reusing resources – or as a last resort – to recycle them. In the *Polymers for Tomorrow* development group, Trelleborg is working in a systematic and cross-organizational manner to increase the use of bio-based, recycled and completely new raw materials, see page 38.

Recycling, greater resource efficiency and circular business models offer considerable potential to reduce CO<sub>2</sub> emissions in society.

**Solutions for sustainability.** For society as a whole, many of Trelleborg's products and solutions help to save energy and reduce emissions, and therefore play a part in sustainable energy supply.

Internally, the target to continuously become more energy-efficient, and thus more climate efficient, is a fundamental part of the Group's efforts to achieve world-class manufacturing. This systematic effort in all of the Group's units is associated with the strategic Trelleborg Excellence program, which aims to improve core processes.

**Climate target and net zero vision.** Trelleborg's current "50 by 25" climate target for the 2021–2025 period will be applied using 2020 as the base year. In line with society's target to keep global warming well below 1.5°C, Trelleborg's climate target for the period is to reduce direct and indirect CO<sub>2</sub> emissions (Scope 1 and Scope 2) by at least 50 percent relative to sales.

Accordingly, the target for 2025 is for these emissions to be less than 5.45 metric tons per SEK M, since this corresponds to a halving of the base year value 2020, which was 10.9 metric tons per SEK M.

In addition, the target entails that Trelleborg-related indirect emissions of greenhouse gases (GHG) throughout the value chain will also be clearly reduced, mainly through supplier dialog, particularly in the areas of *Purchased goods and services* and *Transports*.

The "50 by 25" climate target was launched in February 2021 combined with the vision of achieving net zero emissions in Trelleborg's own operations by the end of 2035.

In April 2021, Trelleborg also made an official commitment to set a Science Based Target. This will mean that even emissions reductions along the value

### TRELLEBORG'S SOLUTIONS



#### GOAL 7 Clean energy

Offshore wind farms are built on various types of foundations, depending on turbine size, water depth, seabed and climate. Trelleborg supplies grout seals that close the gap between the turbine's tower and pile. The seals are up to eight meters in diameter and have to support the steel monopile and the larger transition piece that slides over it during the foundation's construction.



#### GOAL 9 Sustainable industry, innovation and infrastructure

Energy, maintenance and wear are costs for train operators that can be influenced. A Trelleborg axle guiding bush allows the train wheels to soften up when they go through a curve by allowing the alignment of the wheel and the axle to be varied in response to the axle's vibration frequency. In this way, energy consumption and abrasion damage to wheels and track profiles are reduced.

chain (Scope 3) will also be quantified in the period through 2025.

**Scope 3 emissions.** Already in 2017, Trelleborg conducted a Scope 3 analysis in cooperation with EY aimed at obtaining a general picture of indirect emissions along the value chain. The analysis showed that the Scope 3 emissions of the operations are significant, meaning that they overall clearly exceed the total emissions in Scope 1 and 2.

In 2021, a new analysis was initiated and collaboration began with CDP to obtain an updated picture of Scope 3. This work will continue in 2022 to establish base values and targets for a quantitative improvement also in these indirect emissions. Trelleborg's climate target and climate vision will therefore be adjusted and more specifically defined in terms of indirect emissions across the value

chain (Scope 3 target) in dialog with the Science Based Targets initiative and in accordance with how the conditions change for achieving the climate targets for society at large.

**Energy efficiency, renewable energy and investments are the keys.** In addition to becoming more energy-efficient every year through improvement efforts carried out under the Manufacturing Excellence program (see page 23), Trelleborg is reducing the operation's CO<sub>2</sub> emissions over time by transitioning to predominantly renewable electricity from sources such as wind, solar and hydro power. Furthermore, investments will be made in the facilities' local energy supply, which is currently often natural-gas-based. Suitable technology for this will be considered over the next few years.

AMBITIONS FOR CO<sub>2</sub> TARGET



TRELLEBORG'S SOLUTIONS



**GOAL 11 Sustainable cities and communities**

Buildings close to main roads and railways are exposed to noise, vibration and mechanical load. Trelleborg's insulating, flexible layers of natural rubber are installed in the building's foundations and bearing structure. These layers prevent energy transfer by shifting the frequency spectrum between land-borne vibrations and the building structure. This is the same technique used to protect buildings against earthquakes.



**GOAL 13 Climate action**

Heat that is created by friction in hydraulic cylinders is a waste of energy. Lubricants with low viscosity can reduce the friction, but are also extremely destructive to the seals. Specialty seals developed by Trelleborg can withstand, in addition to high pressure, extreme temperatures and counteracting forces in the cylinder, as well as aggressive lubricants, which yields energy savings and a longer lifespan.



# 25 years

The number of years that the sealing system offers protection.

ELT (Extremely Large Telescope) is being built in Atacama Desert in Chile using Trelleborg's inflatable and compression seals.

# Stargazing

Is anyone out there? Maybe we'll find the answer to that eternal question when the largest optical telescope ever built, featuring Trelleborg's advanced sealing systems, starts scanning the heavens in 2025.



**“For our solutions to be specified as part of the ELT project is an impressive feat.”**

Andre de Graaf,  
Global Sales Director for tunnel projects

**I**t’s a stargazer’s dream come true: the world’s largest ‘optical/near-infrared extremely large telescope’ is slowly but surely taking shape.

Upon its completion in 2025, the Extremely Large Telescope (ELT) will gather and focus 13 times more light than today’s largest optical telescopes.

The project was born in 2010 but ‘first light’ (the first use of the telescope to take an astronomical image) is planned for 2025. The telescope, an observatory when the surrounding support structure is factored in, will study Earth-like planets around other stars in the “habitable zones” where life could exist – one of the holy grails of modern astronomy.

**When complete** the gigantic construction will sit on the summit of Cerro Armazones mountain, 3,000 meters above sea level. This part of the Andes range is surrounded by the Atacama

Desert, the driest non-polar desert on Earth, so the equipment will have to cope with very demanding conditions.

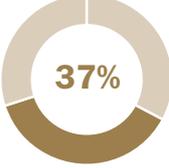
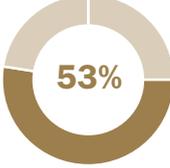
That’s where Trelleborg comes in. The company will manufacture and supply highly durable, handmade inflatable and compression seals, which will keep the ELT’s classic dome-shaped enclosure pressurized, airtight from water, heat and dust, and ensure there is no ultraviolet light exposure within the enclosure.

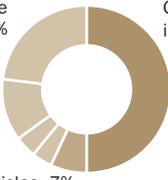
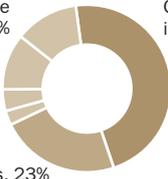
“The ELT is a revolutionary scientific project that will address many of the most pressing unsolved questions about our Universe. Therefore, for our solutions to be specified is an impressive feat that is testament to our ability to design, manufacture and test bespoke sealing systems that provide impenetrable protection for up to 25 years in even the harshest of environments,” says Andre de Graaf, today Global Sales Director for tunnel projects within Trelleborg. ■

## TRELLEBORG'S OPERATIONAL BUSINESSES

Trelleborg's operations are organized into three business areas. Their respective strategies to achieve leading positions in selected segments are tailored on account of the differing nature of the business areas in terms of their structure and businesses, but also because of the diversity of the markets they serve.

The common denominator is the engineered polymer solutions that seal, damp and protect critical applications in demanding environments, as well as a strongly decentralized organization built on local responsibility and personal dedication, which form the basis of the Group's model for profitability and business success.

Operations	Net sales, share of Group	EBIT, share of Group	EBIT margin, %
<b>TRELLEBORG INDUSTRIAL SOLUTIONS</b> focusing on selected polymer-based industrial applications and infrastructure projects.	 33%	 25%	<b>12.4%</b>
<b>TRELLEBORG SEALING SOLUTIONS</b> focusing on polymer-based sealing solutions.	 37%	 53%	<b>23.0%</b>
<b>TRELLEBORG WHEEL SYSTEMS</b> focusing on off-highway and specialty tires.	 30%	 22%	<b>12.0%</b>

Net sales per market segment, %	Market position	Brands/product names	Principal competitors
<p>Capital-intensive industry, 43%</p> <ul style="list-style-type: none"> <li>Infrastructure construction, 23%</li> <li>Transportation equipment, 12%</li> <li>Aerospace, 4%</li> <li>Oil &amp; gas, 4%</li> <li>Light vehicles, 7%</li> </ul> <p>General industry, 50% of which Healthcare &amp; medical, 2%</p> 	<ul style="list-style-type: none"> <li>» Globally leading positions in selected niches in automotive, marine systems and general industry.</li> <li>» Regionally leading positions and growing presence in selected niches in, for example, antivibration.</li> </ul>	<p>AutoMoor, Cryoline®, Citerdial, Dartex, Fairprene®, FluoroSeal®, Flexxcurve, Gall Thomson, Gutteling, HALL, Klaw, Kledam®, Metalastik®, Novibra®, Omega, Power-Lock™, Pulsor, SCN Super Cone Fenders, SeaGuard, Sealine®, Sewer-Lock™, SafePilot®, SmartPort, Trellvac and Trilobe.</p>	<p>Cathay Consolidated, Contitech, GMT, Hamilton Kent, Hultec, Hutchinson, IVG Colbachini, Keeper, MannTek, Parker Lord, Pennel &amp; Flipo, Roxtec, Sanok, Semperit, ShibataFenderTeam, Tremco and Yokohama.</p>
<p>Capital-intensive industry, 30%</p> <ul style="list-style-type: none"> <li>Transportation equipment, 12%</li> <li>Aerospace, 11%</li> <li>Agriculture, 4%</li> <li>Oil &amp; gas, 3%</li> <li>Light vehicles, 23%</li> </ul> <p>General industry, 47% of which Healthcare &amp; medical, 11%</p> 	<ul style="list-style-type: none"> <li>» Globally leading positions in a large number of niches in general industry, automotive and aerospace.</li> <li>» Extensive product range with a focus on critical applications.</li> <li>» World-class engineering and proprietary materials technology.</li> </ul>	<p>American Variseal®, Automated Dynamics, Busak+Shamban, Forsheda®, GNL, Nordex, Orkot®, Palmer Chenard, Polypac®, Rubore®, SF Medical, Shamban®, Sil-Pro, Skega®, Stefa® and Wills Rings®.</p>	<p>Federal Mogul, Fenner, Freudenberg, Greene Tweed, Hutchinson, Kirkhill-TA, Lubrizol/Vesta, Meggitt, NOK, Nolato, Parker Hannifin, Raumedic, Saint Gobain, SKF, Starlim and Wolverine.</p>
<p>Capital-intensive industry, 100%</p> <ul style="list-style-type: none"> <li>Transportation equipment, 38%</li> <li>Agriculture, 62%</li> </ul> 	<ul style="list-style-type: none"> <li>» Globally leading positions in tires for agricultural machinery and material handling vehicles.</li> <li>» Regionally leading positions and growing presence in selected niches in tires for off-highway vehicles.</li> </ul>	<p>Cultor, Interfit, Maximo, Mitas and Trelleborg.</p>	<p>BKT, Continental, Bridgestone/Firestone, Goodyear/Titan, Michelin/Camsco, Nokian, Vredestein and Yokohama/Alliance.</p>

## TRELLEBORG INDUSTRIAL SOLUTIONS BUSINESS AREA

# PROFITABLE GROWTH BY CLIMBING THE VALUE LADDER

Trelleborg Industrial Solutions is a leading supplier of polymer-based critical solutions in selected industrial application areas and infrastructure projects.



**We continue to prioritize customer proximity to ensure that we remain the customer's first choice."**

#### Describe the business area today.

The business area has performed well in recent years, with sustained upward growth and improved profitability despite ongoing challenges from the pandemic. Behind the figures is a goal-oriented effort to refine and optimize our operational structure and product offerings. Our business platform is in a favorable condition to further climb the value ladder.

We continue to prioritize customer proximity to ensure that we remain the customer's first choice, for example, we opened Trelleborg's first manufacturing facility in Africa to supply automotive boots to the Moroccan automotive industry. In China, we have added production of industrial hoses, and in India, pipe seals. We also intend to establish production of boots in Japan.

#### What do your future plans look like?

We will continue to optimize our position as global leader, ensuring we have the right geographic presence and increasingly innovative portfolio to meet customer requirements. Our focus is on selected segments where our applications expertise and industry knowhow make the difference, and in geographic markets where, in particular, investments in infrastructure and sustainability drive demand across our portfolio.

In China, we see increasing demand for seals for immersed tunnels and offshore wind installations. In India, local production is growing to supply suspension components for major metro rail projects, as well as for cable entry systems for data and telecommunication infrastructure. In North America, greater homebuilding activity is leading to strong growth in demand for water and wastewater pipe seals, as well as energy efficient window seals.

#### How do your products make a difference for customers and the environment?

Sustainability and safety are key differentiators by design. For example, we have recently launched the

world's first fully sustainable liner for pipe repair; made of recycled plastic and manufactured without solvent. Our medical support surface fabrics are fully recyclable and help prevent both pressure injuries and patient falls. In the marine industry, we offer a rope-free vacuum-based system that reduces mooring time to a few minutes, eliminating the leading cause of serious injury in ports.

#### Are there further efficiency improvements required?

We will continue to adjust and improve our structure to ensure an ever-closer customer proximity, both in terms of production and vital support activities such as engineering, R&D, and customer service. We see opportunities to drive further efficiency gains through increased automation and digitization of our operations through investments in manufacturing execution systems and related infrastructure.

#### How were sales and earnings in 2021?

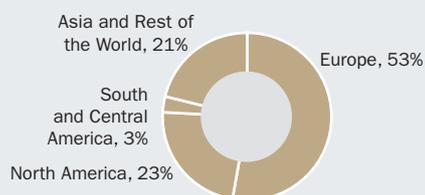
Organic sales for the full year increased 10 percent compared with the preceding year. The sales trend was positive in all major geographic regions. All of the market segments reported positive organic sales. The order book was built up continuously and achieved a record level at the end of the year.

EBIT and the EBIT margin increased year on year, and both sales and EBIT reached their highest level to date. Effective cost control and active price adjustments for customers offset rising prices for input goods during most of the year. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 37 M on EBIT compared with the preceding year.

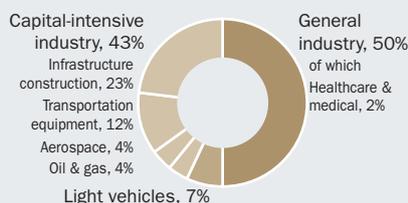


**Jean-Paul Mindermann,**  
Business Area President  
Trelleborg Industrial Solutions

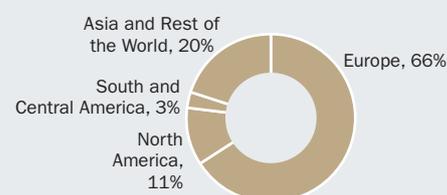
**NET SALES  
PER GEOGRAPHIC MARKET, %**



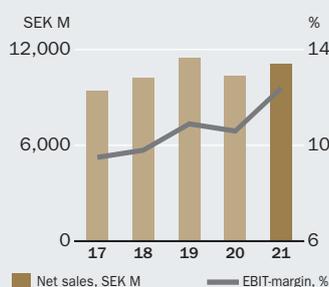
**NET SALES  
PER MARKET SEGMENT, %**



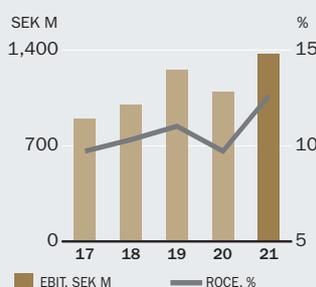
**EMPLOYEES  
PER GEOGRAPHIC MARKET, %**



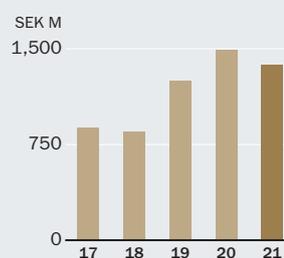
**NET SALES  
AND EBIT MARGIN**



**EBIT AND ROCE**



**OPERATING CASH FLOW**



Countries with production units 2021.

Key figures, excluding items affecting comparability, SEK M	2021	2020
Net sales	11,071	10,335
Share of consolidated net sales, %	33	35
EBIT	1,373	1,097
EBIT margin, %	12.4	10.6
Capital employed	11,140	10,328
Return on capital employed (ROCE), %	12.6	9.7
Capital expenditures	372	248
Operating cash flow	1,375	1,493
Operating cash flow/operating profit, %	100	136
Number of employees at year-end, including insourced staff and temporary employees	6,186	5,909

**STRATEGIC PRIORITIES**

**CLIMBING THE  
VALUE LADDER**

- ▶ Focus on profitable growth in selected segments and geographies
- ▶ Develop products and solutions that improve customer safety and sustainability by design
- ▶ Continuously raise the bar in operational excellence
- ▶ Optimize the portfolio, including through selected bolt-on acquisitions

## TRELLEBORG SEALING SOLUTIONS BUSINESS AREA

# ACCELERATE GROWTH THROUGH UPSCALED BUSINESS MODEL

Trelleborg Sealing Solutions is a leading global supplier of polymer-based critical sealing solutions and components deployed in general industry, automotive and aerospace.



**We focus on attractive segments that are in a phase of rapid, positive change.”**

### What is behind the business area's successes?

We offer our customers more than “just” a seal. We offer sealing solutions and, to an increasing degree, well-developed support services that enable our customers to focus on their core business.

Underpinning our successes is a well-trimmed business model with efficient logistics and production.

We are quite literally close to our customers throughout the world, with global production, R&D, and sales teams. In addition, we have a broad portfolio with a strong technology offering and a competitive range of services.

### How will you accelerate growth?

We focus on attractive segments that are in a phase of rapid, positive change. Early market insights mean that we understand requirements for success in these segments, both for us as a supplier and for our customers.

Growth occurs and must occur organically and through well-targeted acquisitions.

### Which segments are growing above average?

There are growth opportunities in many niches. One of these is in aerospace, an area in which we are already the market leader or hold leading positions in most areas of application, and where we are growing within interior solutions. The Asian market will expand considerably in the next few years, at the same time as aircraft manufacturers and other stakeholders are pursuing projects aimed at making the industry more sustainable. We are involved in both journeys: the geographic shift and the development of the industry.

Another rapidly growing segment is healthcare & medical. Our products are found in manufacturing equipment, medical devices and in drug elution, where we bring medical devices and pharmaceutical solutions together. We collaborate closely with our customers to develop complex multicomponent solutions, molded and extruded parts, so that our customers can improve the quality of life of patients.

### Tell us about your service offering.

With ServicePLUS, customers can benefit from a number of service innovations, simplifying customers' workflows throughout the supply chain. For example, this may involve helping customers to automate replenishment orders which, using sensors, can be carried out without manual work being involved, or that we provide specialty kitting, for instance.

One service that we offer in healthcare & medical is the Rapid Development Center. This uses our design, rapid prototyping, development, and serial production, to help customers go to market more quickly with their products.

### How were sales and earnings in 2021?

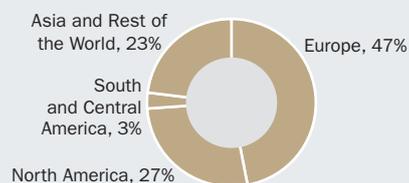
Organic sales for the full year increased 19 percent compared with the preceding year. Sales to all geographic regions were highly favorable. Deliveries to all industries developed positively, apart from the aerospace industry, which saw lower demand during the first half of the year.

EBIT and the EBIT margin increased significantly, mainly due to higher volumes to most market segments. The effect of rising purchasing prices for energy and input goods was limited by strict cost control and efficiency improvements. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 85 M on EBIT compared with the preceding year.

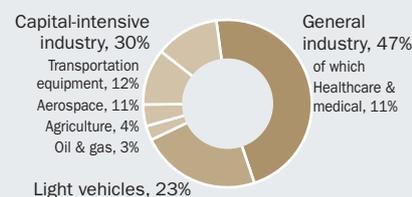


**Peter Hahn,**  
Business Area President  
Trelleborg Sealing Solutions

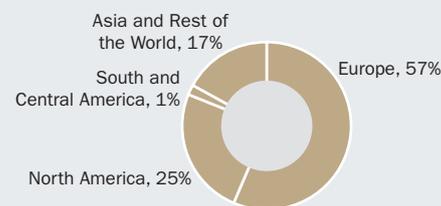
**NET SALES  
PER GEOGRAPHIC MARKET, %**



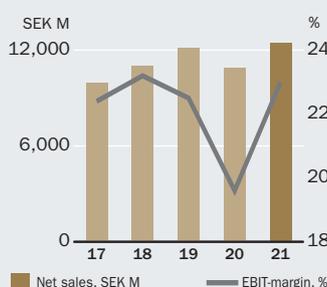
**NET SALES  
PER MARKET SEGMENT, %**



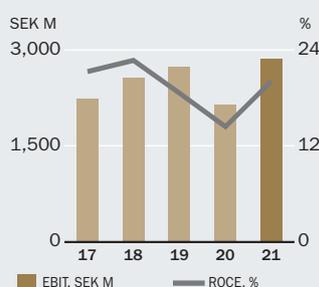
**EMPLOYEES  
PER GEOGRAPHIC MARKET, %**



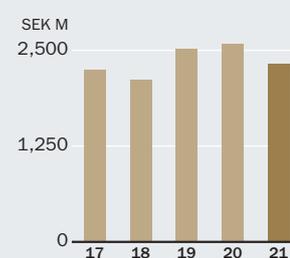
**NET SALES  
AND EBIT MARGIN**



**EBIT AND ROCE**



**OPERATING CASH FLOW**



Countries with production units 2021.

Key figures, excluding items affecting comparability, SEK M	2021	2020
Net sales	12,480	10,892
Share of consolidated net sales, %	37	36
EBIT	2,865	2,137
EBIT margin, %	23.0	19.6
Capital employed	15,102	13,471
Return on capital employed (ROCE), %	20.1	14.4
Capital expenditures	637	416
Operating cash flow	2,319	2,579
Operating cash flow/operating profit, %	81	121
Number of employees at year-end, including insourced staff and temporary employees	7,263	6,899

**STRATEGIC PRIORITIES**

**SCALE UP AND  
ACCELERATE**

- ▶ Use the scalable business model's strengths in more areas
- ▶ Accelerate growth in attractive segments
- ▶ Continue the strategy to move from product to solution offering
- ▶ Continued globalization of operations
- ▶ Speed up focused acquisitions

## TRELLEBORG WHEEL SYSTEMS BUSINESS AREA

## POSITIONED TO DELIVER FROM AN IMPROVED GLOBAL PLATFORM

Trelleborg Wheel Systems is a leading global supplier of tires and complete wheels for off-highway vehicles and specialty applications.



**The business area is ready to meet an expanding market.”**

### Describe the business area today.

Our operation is in great shape. Our renowned and recognized brands in agricultural tires and tires for material handling vehicles, command a very strong market position. The product offering is broad and essentially covers all applications. We have extensive cooperation with the major tractor manufacturers for both technology development and marketing. The business is also becoming increasingly global, as we strive to have a strong local presence close to our customers.

During the year, we were challenged by rising costs for raw materials, as well as increasing costs for freight. Energy costs raised during the second half of the year. Higher customer prices implemented in the later part of the year, however, absorbed a large portion of the increasing costs.

At the same time, the underlying trends indicate long-term growth in all the business area's segments. For example, in agriculture, the requirement for food production for the growing population of the world is indisputable, while global trade means that the demand for forklifts in ports and warehouses, for example, is constantly increasing.

Overall, the business area is ready to meet an expanding market.

### Which markets are important going forward?

Our base and history are in Europe, but it is in North America that we see the greatest opportunities and recovery in the market. We already hold leading positions there in tires for material handling vehicles and have local production capacity for agricultural tires that can meet the anticipated higher demand.

That said, all trends point to there also being positive growth opportunities in South America and the Asia-Pacific region, as well as in large countries such as Russia.

### How are you growing Interfit?

Interfit is our concept for aftermarket tire services, which enables closer cooperation with our end customers. It accounts for approximately 10 percent of the business area's sales and is growing. We are continuing the

roll-out of the concept for material handling vehicles and agricultural machinery, both organically and through acquisitions. Interfit is currently available in nearly 100 locations in 20 countries.

### How do you work with sustainable products?

Offering tires designed to protect crop yield and save fuel is part of the business concept behind our agricultural tires.

We use recycled raw material in the form of carbon black to manufacture our industrial tires, and the cores of the tires themselves include materials such as recycled textiles or coconut powder. All of this is with the aim of improving circularity.

### How were sales and earnings in 2021?

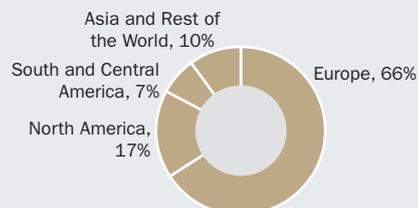
Organic sales for the full year increased 19 percent compared with the preceding year. Sales increased in all major regions. The organic sales trend for tires for agricultural machinery, material handling vehicles and off-highway vehicles was positive in all cases. During the second half of the year, the situation improved further for all categories of tires.

EBIT improved as a result of higher sales volumes. Previous investments made in capacity commissioned during the year supported the earnings improvement. The EBIT margin was unchanged, since the result of higher sales volumes was primarily counteracted by significantly higher costs for raw materials and energy, as well as a negative sales channel mix. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 60 M on EBIT compared with the preceding year.

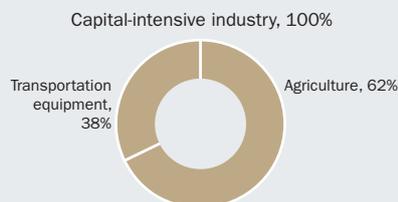


**Paolo Pompei,**  
Business Area President  
Trelleborg Wheel Systems

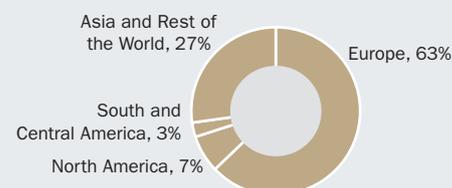
**NET SALES  
PER GEOGRAPHIC MARKET, %**



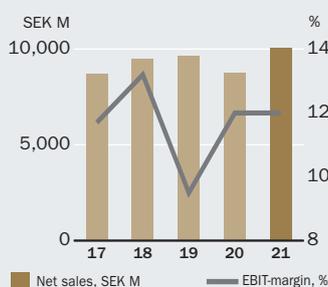
**NET SALES  
PER MARKET SEGMENT, %**



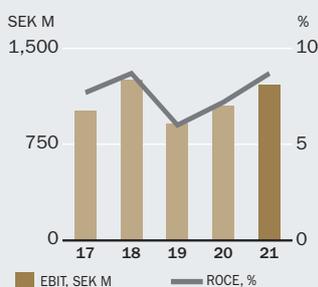
**EMPLOYEES  
PER GEOGRAPHIC MARKET, %**



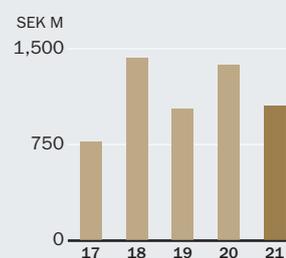
**NET SALES  
AND EBIT MARGIN**



**EBIT AND ROCE**



**OPERATING CASH FLOW**



Countries with production units 2021.

Key figures, excluding items affecting comparability, SEK M	2021	2020
Net sales	10,076	8,765
Share of consolidated net sales, %	30	29
EBIT	1,214	1,050
EBIT margin, %	12.0	12.0
Capital employed	14,374	13,650
Return on capital employed (ROCE), %	8.7	7.2
Capital expenditures	354	410
Operating cash flow	1,049	1,372
Operating cash flow/operating profit, %	86	131
Number of employees at year-end, including insourced staff and temporary employees	6,750	6,290

**STRATEGIC PRIORITIES**

**READY TO  
TAKE-OFF**

- ▶ Leverage improved platform
- ▶ Expand service offering using Interfit concept
- ▶ Strengthen and secure leadership in innovations

An aerial photograph of a two-lane asphalt road winding through a dense, lush green forest. A red car is driving on the road, moving away from the viewer. The trees are tall and dense, creating a canopy effect. The lighting is soft, suggesting a slightly overcast day or late afternoon.

# Enjoy the silence

If you thought electric cars were silent, think again. Electric drivelines are certainly quieter than internal combustion engines, but they have their own noise and vibration issues. Thankfully, new technology from Trelleborg helps ensure a smoother, quieter journey.

Metal layers that have been vulcanized together with rubber is an excellent laminate to absorb mechanical energy and the vibrations that radiate noise in a power inverter.



**“We gain a higher level of damping at a wider noise frequency and temperature.”**

Arvid Norberg,  
Director of Sales and Marketing for damping solutions

**W**hen electric cars were invented, many people thought the noisy world of the internal combustion engine would soon be history. But while electric and hybrid electric cars are quieter, it doesn't mean they're silent.

Electric drivelines have their own range of noise, vibration and harshness issues. In electric vehicles, the typical noise of a combustion engine is no longer there to mask other structure-borne noises from the likes of the gearbox housing. But there's also another culprit: power inverters. They are one of the main contributing sources of noise in the electric vehicles.

**“We have developed** a completely new material for inverters because they make a wider range of noise. By combining a different thickness of metal with different types of polymer thickness you can have a higher level of damping at a wider noise frequency and temperature,” says Arvid Norberg, Director of Sales and

Marketing for damping solutions at Trelleborg.

But it's a challenging development process because electrical engines and drives have even tougher cleanliness standards than combustion engines.

“It's critical that there are no loose metallic particles. These could get into the engine or even the electronics and cause a short circuit. These are particles with a size of tenths of millimeters that are often invisible to the naked eye,” says Arvid Norberg.

**Trelleborg is** at the forefront of the market, and sees e-mobility as being very important in the years ahead.

“There are also new workplace directives on noise from the European Union to consider. The health and safety requirements regarding noise and vibration are only getting tougher, but that's good for us as we're regarded as the leading developer of brake and damping products,” concludes Arvid Norberg. ■



## OPERATIONS: EFFICIENT AND SUSTAINABLE RESOURCE USAGE

The Resources part of the Operations focus area is clearly linked to the Sustainable Development Goals in the categories 3, 8, 12 and 13. Read more about the connection to the goals on pages 124–126.

During the year, the sustainability strategy for Trelleborg as a whole was clearly advanced under the slogan *Protecting the Essential*. In terms of the climate, the proportion of renewable energy is to steadily increase to reduce climate impact in line with the climate target of “50 by 25” and the vision of net zero emissions by 2035.

**Raw materials and chemicals.** The principal raw materials in Trelleborg’s processes are polymers (rubber, plastics, composites), metal components, as well as additives comprising softening agents (oils) and fillers such as carbon black, and vulcanizing agents (sulfur, peroxides). The manufacturing processes have several types of direct impact on the environment and people: climate impact, waste and emissions (mainly to air), water consumption and work accidents. Similar impacts occur indirectly along the value chain.

Trelleborg’s specially engineered solutions are based on the unique sealing and damping properties of polymers. The solutions have a positive impact on the sustainability of society as they save energy and reduce CO<sub>2</sub> emissions, eliminate noise and vibrations, seal in demanding environments to avoid the spillage of water, oil, gas or hazardous chemicals, and dramatically extend the lifecycle of items ranging from machines and medical devices to skyscraper facades. However, Trelleborg is not blind to the fact that the solutions themselves are largely fossil-based, but is working systematically to increase the share of bio-based and recycled raw materials in everything it develops and manufactures. This aims to strengthen Trelleborg’s role as the sustainability leader in its industry without compromising the high technical requirements in the demanding environments where the solutions are intended for use.

Accordingly, a development group at Trelleborg – *Polymers for Tomorrow* – has worked since 2021 in accordance with the principles of circularity (refer to page 123) to systematically increase the use of bio-based, recycled and completely new, more sustainable raw materials. The development group, composed of members from the business areas and the Group, identifies strategic collaborations with suppliers and other initiatives in this direction.

The Trelleborg’s Group environmental policy – available at [www.trelleborg.com](http://www.trelleborg.com) – also stipulates that attention

must be 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.

Conflict minerals are used to a very limited extent in Trelleborg’s products. Trelleborg has governance documents and provides templates that simplify the response of units to customer inquiries about such minerals.

As a chemical user, Trelleborg is affected by the EU REACH regulation. In addition to the local work with REACH compliance, work related to chemicals continues to be carried out within the framework of the Global Chemical Task Force, a corporate-level team. During 2021, the Global Chemical Task Force provided support to local companies in chemical replacement projects, classification and reporting of used chemicals and generally with the follow up of European legislation on chemicals and the environment: updating of the REACH regulations, the EU’s new taxonomy regulations, the Carbon Border Adjustment Mechanism and public consultations concerning highly fluorinated compounds.

Within the scope of ETRMA, the European organization for tire and rubber manufacturers, Trelleborg is represented and participates in work monitoring and undertaking EU legislation in, for example, chemicals.

**Resource efficiency and circularity.** The Manufacturing Excellence program framework takes a systematic approach to improvements for enhanced safety, quality, delivery precision and efficiency that also yields distinct positive effects on resource consumption by minimizing all resource waste. Refer also to the section on circular business and resource efficiency on pages 24 and 123.

**Energy.** The bulk of the Group’s own energy consumption – and thus its direct climate impact – is connected to fossil-fuel combustion for the production of steam (direct energy and emissions) and purchased electricity, steam and district heating.



In conjunction with the launch of a new sustainability strategy in 2021, Trelleborg also introduced a clear link to variable salaries for management. Refer to page 88.

**Protecting the Essential** is the umbrella name for Trelleborg’s sustainability strategy that was introduced in 2021. As a whole, it means the business areas take clear responsibility within their operations for planning and follow-up of all material sustainability performance.



*Energy Excellence*, a long-standing initiative for systematic energy optimization at all Trelleborg units, is an integrated part of the Manufacturing Excellence program. Energy Excellence was updated in 2021 to clearly emphasize the link between energy and climate, in line with the “50 by 25” climate target.

In addition to process-related measures, Trelleborg’s units are focusing on the introduction of different types of systems for improved monitoring of energy consumption and on increasing energy awareness among personnel.

The outcome of energy consumption for the year showing a decrease in relation to sales despite increased production volumes (see table on page 131) reflects the ongoing efficiency enhancements in energy use.

**Renewable/fossil-free energy** The proportion of renewable/fossil-free energy – which will be continuously increased – is reported as a separate indicator in the table on page 131. For example, most units in Trelleborg Sealing Solutions transitioned to renewable energy in 2021. A collaboration with Schneider Electric launched in 2021 has resulted in recommendations for joint actions for the Group in relation to the supply of renewable electricity.

A significant project is underway in Sri Lanka, where biomass is replacing fossil fuel to produce steam for production. Internally generated electricity is being produced using solar cells at plants in Modena, Italy, in Bengaluru, India, and in Malta.

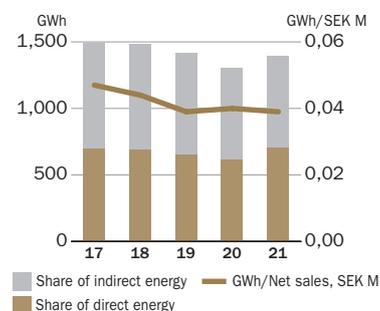
**Climate.** A description of Trelleborg’s long-term climate strategy, with the “50 by 25” climate target for 2025 and the net zero vision for 2035 is presented on pages 24–25.

An overview and scenario analysis adapted to recommendations from the Task Force on Climate-related Financial Disclosures (TCFD) are presented on pages 127–129.

- » In the climate area, Trelleborg applies intensity targets (tons of CO<sub>2</sub> per SEK M in sales), in the historical context of the business that includes recurring substantial acquisitions and divestments. The emissions performance should reflect relevant operating volume to be easily comparable over time.
- » The calculation of CO<sub>2</sub> emissions from the consumption of purchased electricity is mainly based on location-based national conversion factors from the International Energy Agency (2021 version). Conversion factors for electricity consumption reflect the current average total electricity mix of each country; sources such as hydro and nuclear power generate lower emissions, while coal and oil generate higher emissions.
- » For renewable/fossil-free electricity, Trelleborg applies the following principle: All downward adjustments of emissions (compared with location-based national conversion factors) must be attested by a certificate specifying the energy mix and net emissions delivered.

Only one of the Group’s units – Tivoli in Italy – is included in the EU Emissions Trading System (EU ETS) in 2021. Described simply, operations are allotted emission allowances (1 allowance = 1 ton CO<sub>2</sub>). Each year, the operations concerned must report their emissions of CO<sub>2</sub> and transfer emission allowances corresponding to the emissions they cause. The number of allocated emission in 2021 was 19,598 (34,864).

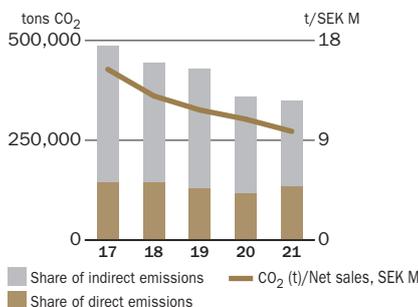
## ENERGY



**11.1%** 

11.1 percent of energy consumption was renewable/fossil-free in 2021, compared with 10.3 percent in 2020.

## CLIMATE



**Water.** Water is used in Trelleborg's operations mainly for cooling and washing in production processes. The outcome for the year for water-related indicators is shown in the table on page 131. Major reductions in consumption are made on an ongoing basis and are planned, inter alia, for the production unit in Ersmark, Sweden, by using improved cooling and recycling systems. Emissions to water are limited. They mainly comprise organic matter.

Previous evaluations of water supply have been carried out for countries and regions where Trelleborg's production units are located, and indicate that certain units are located in regions where water scarcity may become an issue, such as in China, Italy, the US, Sri Lanka and Malta. The focus for central water follow-up activities is on these regions.

**Waste.** Continuous efforts are taking place within local operations to cut production waste, which helps to both reduce the amount of waste and increase the rate of recycling. In the same manner the volume of hazardous waste is minimized. For ISO 14000-certified plants, waste management plans are part of the overall environmental management system, and for all non-certified plants, it is mandatory to have such a plan in place. According to the waste management plan, waste leaving the facilities must be weighed and documented. Alternatively, the waste's density and volume must be calculated, for example, using supplier invoices, the organization's internal invoicing and accounting system, or data from the purchasing departments.

- » Recycling is carried out by external partners and internally, see the diagram on page 132.
- » For further information, refer to resource efficiency and circularity on pages 24–25 and 123.

**Emissions to air.** In addition to energy-related emissions – such as CO<sub>2</sub>, sulfur dioxide and nitrogen oxides – the Group'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, and these emissions have been continuously reduced in recent years, refer to the table on page 131. Emissions are mainly derived from the use of solvent-based adhesives that are used for a limited number of products and production units.



**The Task Force on Climate-related Financial Disclosures (TCFD)** is a specific call for climate action from the financial markets. It describes how companies should handle their climate-related information, including risks and opportunities. In 2021, Trelleborg conducted a detailed scenario analysis in accordance with TCFD's recommendations. See page 127–129 for an overview of how Trelleborg meets TCFD.



**CDP's climate, water and supplier engagement reports.** Trelleborg has participated in CDP's voluntary reporting of greenhouse gas emissions since 2007. In the Annual CDP Report for 2021 on climate issues, Trelleborg received a score of B (2020: B). Water issues were reported for the fourth time, and here Trelleborg received a score of B– (2020: B–), which corresponds to the second highest level. Trelleborg's SER (Supplier Engagement Rating) by CDP is A– (2020: A–). The SER score demonstrates how effectively a company cooperates with their suppliers concerning the climate. To assess the level, CDP uses the company's responses to the CDP questionnaire on climate change.



**Trelleborg retains high sustainability ranking 2021.** Trelleborg came second in the Durable consumer goods category in the Swedish sustainability ranking Hållbara Bolag 2021, arranged by the business daily Dagens Industri and the Aktuell Hållbarhet magazine. Trelleborg was also second in its category in 2020. The ranking was carried out by the Lund University School of Economics together with an advisory committee.

# OPERATIONS: EMPLOYEE SAFETY, DIVERSITY AND DEVELOPMENT

The most important Group-wide program to achieve a safe workplace is Manufacturing Excellence, which includes the occupational health and safety program Safety@Work. A broad range of nationalities at management level and greater gender equality with more female managers is an integrated part of work with diversity and inclusion. Furthermore, individual opportunities for employees to become engaged, learn and grow in order to advance their careers are also prioritized.

**Work environment – health and safety.** The highest priority in dealing with the ongoing pandemic situation in 2021 at all Trelleborg workplaces was employee safety. Local restrictions were addressed and a certain degree of global and national coordination was applied as a continuation of work in 2020.

**Safety@Work program.** Trelleborg's longstanding occupational health and safety program Safety@Work aims to create a shared safety culture and to prevent occupational accidents and injuries at all of the Group's production units. Safety@Work is monitored by performing annual internal audits whereby the facilities are assessed on a scale in relation to a fully established safety culture in which all procedures are fully implemented in terms of occupational health and safety management, machine safety and accident follow-ups, with the aim of avoiding a recurrence of a certain type of incident.

The program includes all staff, both employees and insourced, without exception. In 2020, the relaunch of the program began under the "Team up for Safety" theme. This activation through local initiatives and workshops that further deepen risk awareness and preventive efforts among employees continued in 2021, when an improved online reporting procedure and more frequent meetings for exchange of experiences were also introduced.

No fatal accidents occurred in 2021 (2020: 0). Refer to page 132.

The total outcome for the year for OHS-related indicators is shown in the table on page 132, including the share of sites that have a safety committee, as well as entities with certified systems for occupational health and safety according to OHSAS 18001/ISO 45001.

**Diversity & inclusion.** The Diversity Policy at Group level recognizes that diversity and inclusion is a strength for the Group. Increased diversity and inclusion has the potential to further drive Trelleborg's performance and results, both at team level and individually. Better communication with customers and better problem solving are only a few examples of the advantages of diversity and inclusion.

Trelleborg therefore works to achieve a balanced mix in regard to such factors as ethnicity, age and gender, taking into consideration the type of operation being pursued. Diversity and inclusion are generally seen as important elements in situations such as recruitment, training, evaluation, pay structures and succession planning.

Alongside the fundamental rules against special treatment and discrimination in the Code of Conduct (read more about the Code on page 45), the company values knowledge wherever it is found, with no other



The People part of the Operations focus area is clearly linked to the UN Sustainable Development Goals (SDGs) in categories 5 and 8. Read more about the connection to the goals on pages 124–126.

## LWD

A key figure, Lost Work Days, has been introduced for the number of working days lost per 100 employees due to occupational injuries and illnesses. Refer to page 132.

## 43%

The proportion of women on the Board in 2021 was 43 percent (43).

## TRELLEBORG'S GLOBAL PRESENCE AND GENDER DISTRIBUTION 2021

The number of employees in the Group at year-end, including insourced and temporary employees, was 21,840 (22,209), including both continuing and discontinuing operations. Of the total number of employees, 95 percent (95) work outside Sweden.

During the year, the average number of employees in the Group decreased overall to 20,995 (21,425), of whom women accounted for 25 percent (26). Refer to Note 10, page 87.

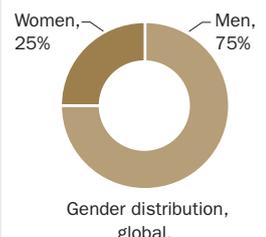
Salaries, other benefits and payroll overheads for employees (excluding insourced staff) in the Group's operations amounted to SEK 9,988 M (9,838).

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 <sup>1</sup>

Distribution by country	2021	2020
US	3,029	2,923
Czech Republic	2,734	3,593
China	1,715	1,534
UK	1,497	1,751
Italy	1,413	1,345
Germany	1,141	1,111
Sri Lanka	1,064	962
Sweden	1,039	1,044
France	1,003	967
Slovenia	852	845
Other	6,353	6,134
<b>Total</b>	<b>21,840</b>	<b>22,209</b>

<sup>1</sup> Including insourced and temporary employees.



criteria than the fundamental view that all people are equal and have the same rights. Read more about discrimination on pages 44 and 133.

**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 some 50 countries.

A survey in 2021 found that managers down to level 4 in the organization (when level 1 is the President, level 2 individuals who report to the President, level 3 individuals who report to level 2 etc.) include a total of 38 different nationalities.

**Age.** A core issue for all knowledge organizations, including Trelleborg, is the ability to recruit young talent. For a number of years now, Trelleborg has increased focus on the younger generations – employees born 1980 and later (Generation Y), and different initiatives have been carried out. In addition to this, the Group has expanded its Graduate Program to two programs per year instead of one.

**Gender.** In an engineering-dominated company like Trelleborg, efforts to achieve a 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 more balanced in the operations.

A key figure was introduced to measure the percentage of women down to level 4 in the organization, with the ambition to raise the percentage of women at these levels from year to year, which over time, is aimed at creating a better gender-balanced recruitment base at higher levels. Refer to page 132.

Efforts to achieve an improved gender balance include actively seeking women candidates for all executive and managerial positions, and for all of the Group’s training and development programs, particularly its leadership.

**Employer Branding.** Trelleborg has also put emphasis on Employer Branding, meaning the type of employer the company is and how it wants to be perceived, both internally and externally. To this end, a motto has been written that reflects Trelleborg’s promise as an employer as part of an initiative to increase focus on attracting, retaining and developing talented people. This motto – *Shaping industry from the inside* – is used internally and externally, in both digital channels and in print as well as at career days, trade fairs and other events.

For its overall work during the year to be an attractive employer for young talent, Trelleborg received the “Karriärföretag 2022” award from Karriärföretagen (“Career Companies”), which is a positive starting point for the continued recruitment of future talent.

EDUCATIONAL AND DEVELOPMENT INITIATIVES IN 2021

- » Trelleborg Group University, the Group’s shared training platform, continued its development and delivered relevant, high-quality training courses even during a pandemic year such as 2021; a total of 30,020 training courses (21,878), a 37-percent increase on the preceding year. Note that the same employee may have completed several training courses. The aim was to move classroom training online – a total of 99 percent (98) of participation was virtual.
- » In 2021, Trelleborg continued work with the People Excellence initiative to advance leadership within the Group, refer to image. The initiative, which is based on a self-assessment tool and self-motivated learning, comprises six individual programs, of which one program focuses on diversity and inclusion. In 2021, 48 percent of the number of managers in question commenced People Excellence training, and 37 percent of this number completed at least one training program.
- » As an expansion of the People Excellence initiative and to further strengthen the leadership culture at Trelleborg, management role models from the business areas will in the future train their colleagues in leadership by coaching.
- » As part of efforts to support lifelong learning, Trelleborg uses a model where 10 percent of development/ learning for the employee consists of training in course format, 20 percent through social learning via, for example, colleagues or mentors, and 70 percent within the context of work duties. As a natural step in this work, development plans for Trelleborg employees will also continue to follow this structure to emphasize the importance of continuous development for all employees.

# COMPLIANCE WITH LAWS AND CODES

On the basis of the Group's Code of Conduct, Trelleborg pursues work for exemplary business conduct both internally and across the value chain to ensure compliance with laws, rules and international agreements.

**Anti-corruption and competition law.** Trelleborg's Code of Conduct applies to all employees without exception. Together with the whistleblower policy, it constitutes an important linchpin for regulatory compliance in operations.

A cumulative assessment is that the Code of Conduct, together with Trelleborg's Compliance Program, aligns well with both Transparency International's guidelines on anti-corruption and with the Code of Business Conduct from the Swedish Anti-Corruption Institute.

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 issues related to competition law, also include issues of anti-corruption, export control, data protection and 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 anti-corruption law.

In the area of data protection, the General Data Protection Regulation (GDPR) was rapidly rolled out to relevant target groups in Europe.

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

Compliance with laws and regulations is an ongoing and long-term commitment for Trelleborg, and this has been monitored by a Compliance Task Force with senior representatives from staff functions that was established in 2015. The Task Force has been assigned to lead and coordinate initiatives across the broader area of compliance.

During 2021, the Compliance Task Force held three meetings that addressed, among other aspects, the new sustainability strategy, trade restrictions, digitalization of compliance procedures, compliance and effects of data protection, information security and a review of legal entities.

The Compliance Task Force also continued its review of Group policies to ensure that the messages they contain are understood by all individuals representing Trelleborg.

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 133 for matters reported via the whistleblower system or other channels. This system was supplemented with employee surveys carried out at regular intervals. In addition to drawing attention to areas for local improvement projects, these surveys provide a clear indication of any problems with management or similar shortcomings.

Specific legislation must be followed in certain countries, such as the US (the Dodd-Frank Wall Street Reform and Consumer Protection Act related to conflict minerals, and Technology Transfer Control legislation), the EU (Conflict Minerals Regulation), and the UK (Bribery Act and Modern Slavery Act, respectively – which are 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 Occupational Health and Safety-related (OHS) laws are shown in the table on page 133.

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

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. However, if the entire value chain is taken into consideration, the risk is classed as higher, see section below on child labor, for example, and the illustration on page 45.



The Compliance focus area is clearly linked to the Sustainable Development Goals (SDGs) in categories 8 and 16. Read more about the connection to the goals on pages 124–126.



## 7,237

individuals underwent training during the year in anti-corruption, competition law, contract management and so forth. The clear increase in recent years is primarily the result of the launch of e-learning programs.



The digitalization of compliance procedures continued in 2021.



During the year, 18 matters (6) were reported via the whistleblower system or other channels, most of which concerned alleged harassment, fraud, injustices, or safety deficiencies.



In 2021, contaminated soil was being remediated at 5 units (9).

**Child labor.** A number of potential risks of child labor in the supply chain have been evaluated. Among those leading to measures was the risk of child labor at the level of rubber producers. For many years, Trelleborg has cooperated with Save the Children in joint community initiatives, which has also strengthened internal know-how in the field of child labor. This has, in turn, been strengthened through dialog with suppliers and by visiting natural rubber producers in Sri Lanka, Southeast Asia and Africa. From 2021, Trelleborg is active in the Global Platform for Sustainable Natural Rubber initiative to minimize risks such as these, refer to page 45.



8 environmental studies (4) were carried out in 2021.

**Forced labor** includes various phenomena, from slavery to forced relocation and forced exploitation of human beings (trafficking). The risk of this is also judged to exist primarily in the supply chain.

During 2021, Trelleborg's corporate website has again renewed its annual statement regarding the management of issues concerning forced labor, child labor and trafficking, mainly in accordance with the UK's Modern Slavery Act 2015, the California Transparency in Supply Chain Act and the Australian Modern Slavery Act 2018.

**89.4%**

Sustainability assessments took place of suppliers corresponding to 89.4 percent (88.9) of the reported relevant purchasing spend.

**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 133.

**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. Special training initiatives are continuing in efforts to prevent harassment.

Read more about outcomes for the year in relation to discrimination in the table on page 133.

**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 all major production units with production and development capacity must have an ISO 14001-certified environmental management system. Only Executive Management can grant an exception. 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 133.

**Environment laws and permits.** Fines or sanctions for breaches of environment or OHS-related rules are shown

in the table on page 133. 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 described in the table on page 133.

**Environmental studies.** For potential acquisitions and divestments, for example, Trelleborg performs environmental studies of the companies to assess and outline their environmental impact and to identify potential environmental liabilities. The number of environmental studies conducted in 2021 is presented in the table on page 133.

**Suppliers.** A total of about 23,000 suppliers are concentrated in Europe, North America and Asia. Trelleborg's main raw materials are synthetic and natural rubber (see also pages 38 and 45), 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 similarly decentralized responsibility for performance. The exception to this is when purchases at the business area or Group level yield cost benefits. This applies in particular to rubber material and material and services that are not directly included in products.

**Supplier assessment and follow-up.** Supplier assessments have primarily been conducted, as before, via Group-wide questionnaires, with questions related to human rights, OHS, environmental management and social responsibility. Unsatisfactory responses are investigated. Refer to the table on page 133 for the year's outcome. The new digital system for supplier assessments streamlines the process and make it more transparent. In conjunction with the launch of a new climate target, follow-up of the climate performance of suppliers and other selected sustainability performance measures will be further developed during the coming five-year

#### GROUP POLICIES IN THE AREA OF COMPLIANCE

All relevant employees sign an acceptance Letter every year where they confirm knowledge of and agree to comply with all of the Group's policies. The following Group policies 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



At the end of 2021, 84 units (89) were certified under ISO 14001, corresponding to 69 percent (73) of all facilities.

period. One of the first steps in 2021 was to begin cooperating with CDP for supplier follow-ups and development focusing on climate issues.

In previous years, site visits with an audit based on a geographic and material risk assessment have focused on textile suppliers, chemicals suppliers and natural rubber suppliers. Audit activities were minimal in 2020–2021 due to the pandemic and as there were very few new suppliers in these areas.

**The Code of Conduct is the basis for all compliance.** 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. All employees are to complete a refresher course in the Code of Conduct every three years, at a minimum.

A comprehensive review of the Code of Conduct was carried out in 2019 when a new version was released containing updated regulations in areas such as trade restrictions, information processing and diversity. A global training initiative started that year, and more than 85 percent of all employees have received training in the Code in the following years. E-learning and other training material is available in 15 languages.

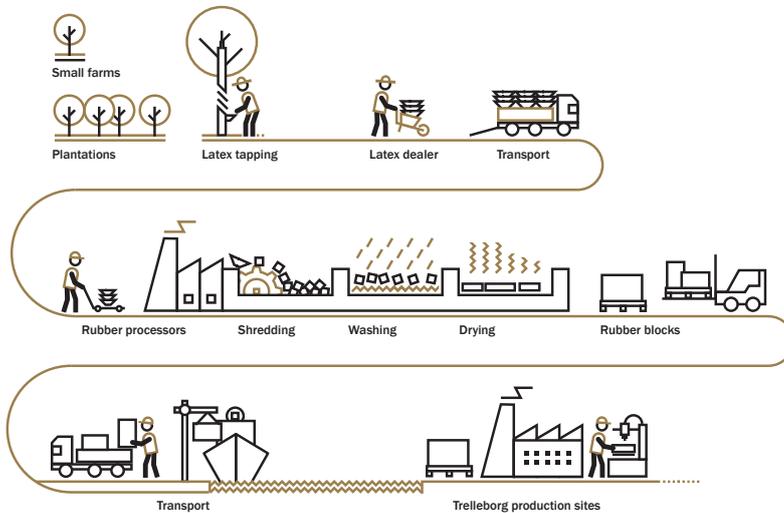
The Code of Conduct is based on internationally recognized conventions and guidelines, such as the Universal Declaration of Human Rights, the ILO conventions, the OECD guidelines and the UN Global Compact. It is available for download from [www.trelleborg.com](http://www.trelleborg.com).

Trelleborg’s Whistleblower Policy and system mean 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.



Trelleborg’s Code of Conduct, Whistleblower Policy and Compliance Program serve as a base for regulatory compliance that aligns well with both Transparency International’s guidelines on anti-corruption and with the Code of Business Conduct from the Swedish Anti-Corruption Institute.

## PRODUCTION OF NATURAL RUBBER



**Natural rubber.** The value chain for natural rubber is relatively long from grower to Trelleborg’s production facilities. Three or four stages is not unusual, though this varies depending on the country/continent.

From 2021, Trelleborg has joined the work of the *Global Platform for Sustainable Natural Rubber*, an industry-wide initiative aimed at leading the global improvement of socio-economic and environmental performance in the natural rubber value chain, with a particular focus on challenges such as deforestation and poor working conditions. Already in its first year, Trelleborg has taken part in specific local activities to strengthen the global initiative’s contact platform among smaller rubber producers in Sri Lanka.

Trelleborg also has its own continuous dialog with natural rubber suppliers, addressing themes such as working conditions, human rights and biodiversity. Dialogs include both meetings and visits to the production chain. Over the past ten years, major training initiatives and site visits have taken place in Sri Lanka, the Ivory Coast and in Southeast Asia.



The Social engagement focus area is clearly linked to the Sustainable Development Goals (SDGs) in categories 4 and 17. Read more about the connection to the goals on pages 124–126.

## BROAD-BASED SOCIAL ENGAGEMENT

Trelleborg engages with the community wherever the Group operates. A number of the engagements have existed for several years in locations where they make a clear difference, including Sri Lanka and China, where youth development is supported through school projects and also in Sweden, where school commitment has increased. Global partnership and guidelines form another aspect of Trelleborg's community engagement and sustainability dialog.

**Trelleborg's value for society.** In the longer term, Trelleborg's products and solutions represent the company's broadest and clearest contribution to improving the sustainability of the whole of society in accordance with the UN Sustainable Development Goals. This is achieved through the ability of its products and solutions to protect the essential in society, such as the environment, people, infrastructure and assets, which is described in more detail on pages 22–25.

Trelleborg's total value creation and its distribution in 2021 between various stakeholders in society is presented on page 17 and in the table on page 134.

**Local development programs.** In all of the different places in which the Group operates, Trelleborg aims – through local involvement – to support groups including children/young people or functionally diverse individuals. This is usually through educational and development initiatives, often focusing on meaningful recreational activities, such as sports and health activities. Various types of development programs such as these with a focus on education and sports/health are ongoing at all major facilities globally. One positive, long-term effect of such initiatives is that young talent are made aware of Trelleborg as an employer.

A third, common focus area for Trelleborg's units is the voluntary involvement of the employees in various local community projects or programs. The overall outcome of the Group's extensive social engagement is reported on page 134.

One new shared concept is Trelleborg SportsClub, focusing on sports training, education and coaching, with several pilot projects currently ongoing in Sweden. Refer to the following page.

In addition to the aforementioned initiatives, Trelleborg collaborates with a number of schools and universities, such as internships with the University of Malta, exercises with Örebro University (refer also to page 123) and lectures/exercises with Lund University/ the International Institute for Industrial Environmental Economics in Sweden, as well as collaborations with various interest groups.

**Sri Lanka.** In partnership with the non-profit organization Star for Life, a school program has been ongoing in Sri

Lanka since 2012 and this was extended over time to currently include two schools: Kelani College and Bellana College. The program aims to inspire and support children to believe in their future and their dreams through regular coaching sessions and sports and music activities. The program at Kelani College was evaluated in 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 fewer conflicts.

In 2021, program activities continued to be affected by the Coronavirus situation in the country, with the closure of schools, and accordingly, limited possibilities to conduct program activities on site. The oldest classes did not resume activities until November 2021 after being closed for about 18 months.

In Sri Lanka, Trelleborg has also been running a pre-school under the name Antonio Bianchi's House since 2010. The pre-school conducts daily activities based on Montessori methods of teaching for children from families with limited resources.

**India.** In 2021, partnerships with several different voluntary organizations in India continued. One important initiative is a scholarship program that supports further education for talented young people in collaboration with the Akshaya Patra Foundation. The cooperation with the Hand in Hand organization (that previously ran a Village Uplift Program) continued with support for a hospital located near one of Trelleborg's production facilities in Bengaluru.

**China.** One of the most recent major initiatives in China addresses rural areas and school children whose parents have moved far away to work and often hand over responsibility for their children to the older generation.

Trelleborg has committed to cooperate with the aid organization Soong Ching Ling Foundation in a three-year project to help set up ten support centers for these young people. These centers will alleviate the situation for the school children left behind, where a lack of parental care, declining motivation to study and insufficient supervision are common problems. Refer also to the next page for examples of social engagement in China.

# 100%

All workplaces in the Trelleborg Group with more than 50 employees have ongoing social engagement.

**Sweden.** Trelleborg also runs local initiatives in Sweden to contribute to social integration. For a number of years, the company has had a recurring cooperation with clubs that stand out as having used sport as a method for community initiatives, such as creating social interaction and meaningful recreational activities for various groups of young people. Trelleborgs FF conducts youth activities that use an adapted Star for Life model called *Motivationslyftet* (“Motivation Boost”). Ramlösa Södra has a *Idrott för alla* (Sports for All) division that engages functionally diverse young people.

**Global partnerships and guidelines.** Trelleborg signed the UN Global Compact already in 2007, and has since presented its report every year of developments in the areas covered by the document: environment, labor, human rights and anti-corruption.

Since 2007, Trelleborg has openly reported climate data to CDP (refer to page 40), for transparency toward all stakeholders in terms of emissions, risks/opportunities and other material climate-related information. Similar water reporting to the CDP has been added in recent years. Reporting also began for forest (solely for natural rubber).

Since 2008, Trelleborg has applied applicable Global Reporting Initiatives (GRI) guidelines for sustainability reporting, and Trelleborg’s auditors have conducted a third-party review of the results.

*New for 2021.* Since 2021, Trelleborg has also collaborated with CDP to evaluate the climate footprint of selected suppliers. New for 2021 was Trelleborg’s membership in the Global Platform for Sustainable Natural Rubber, an industry-wide initiative aimed at leading the global improvement of socioeconomic and environmental performance in the natural rubber value chain, refer also to page 45.

*UN Sustainable Development Goals gain ground.* Trelleborg will continue to develop its communication in accordance with the UN Sustainable Development Goals as this framework gains ground as the basis for sustainability communication and dialog between companies, the finance market, politicians and citizens in respect of the shared agenda until 2030.

A detailed index of the link between Trelleborg’s operations and the UN goals, including a risk description, is available on page 125, while the commercial relevance is also described with product examples on page 126.

## SUSTAINABILITY INITIATIVES IN TRELLEBORG’S WORLD



**TRELLEBORG SPORTSCLUB** The new Trelleborg SportsClub initiative continues to build on the company’s established focus on social engagement to support youth development projects, in this case sports, training and coaching. Projects as part of the initiative include Trelleborgs FF football club’s *Motivationslyfte* (“Motivation Boost”) and the Malmö Redhawks hockey club’s *Hälsosam ungdom* (“Healthy Young People”).

**BOOK PARTNERSHIP IN CHINA** In October 2021, Trelleborg’s operation in Wuxi, China, initiated a long-term collaboration with the local university to donate books. The books, which are a combination of newly purchased books and second hand books from employees, are being donated to schools in economically underdeveloped areas.





Liquid Silicone Rubber is a stable and adaptable material that's accelerating innovations in medical device design, making devices more robust, efficient, and adaptable to patients' needs.

# What the doctor ordered



Molded LSR components in medical devices need to be manufactured and packaged in a “controlled” cleanroom environment of ISO Class 8 or ISO Class 7, given the area of use.



## “Silicone is ideal for medical devices and equipment.”

Linda Muroski,  
President of sealing solutions in Americas and  
healthcare & medical globally

**T**oday’s medical device manufacturers operate in a challenging landscape. Stricter regulations, for example, the need for biocompatibility, are making development and manufacturing more demanding.

“Silicone is ideal for medical devices and equipment, not only because it’s inert, biostable and biocompatible, but also because it can be processed in many ways, including molding. It can be molded on its own, but where the real magic happens, is when it is combined during the molding process with engineered plastics and other substrates, in what is termed multicomponent manufacturing,” explains Linda Muroski, President of sealing solutions in Americas and healthcare & medical globally.

This technology produces a single component, instead of separate parts that need to be assembled together. This has several advantages for the medical device manufacturer. The single integrated device has greater integrity and removes undesirable spaces where bacteria can grow; negating the risk of contamination.

Liquid silicone rubber (LSR) is well-suited for miniature parts. The process can produce micro and nano-sized components below 10 milligrams in weight through needle-point injection technology. One of the smallest pieces manufactured by LSR molding is a septum, the membrane in the cap of a medicine bottle through which a syringe is inserted and withdrawn. This typically weighs just 0.003 gram.

**Manufacturing** a microcomponent such as this requires extreme accuracy in tool construction, control of shot weight and the molding process. Automatic handling of the product after molding is performed by a specially developed robot gripper arm. The process keeps things reliable and accurate for millions of shots.

“The example of the septum shows that automation is critical for medical device component manufacture. Automation can also ensure cleanliness requirements are met as the production process is free of the risk of contamination,” says Linda Muroski. ■

# RISKS AND RISK MANAGEMENT

Risks are associated with all business operations. Properly managed risks can lead to opportunities and value creation, while risks that are managed incorrectly can lead to damages 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. The business has 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 sites. 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 demands from which often balance 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 machinery during the first half of the year. Even for the Group as a whole, demand is usually higher in the first half of the year than in the second half of the year.

**Risk management.** Trelleborg has an established process for Enterprise Risk Management (ERM) 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 and to enable a follow-up of the risks and how they are managed.

The vast majority of risks are managed locally. However, some 30 of these risks may have a major impact at a business area and/or Group level and are thus managed at one of these levels. These risks are shown in the risk radar illustration on page 52. The risks on the risk radar, which in turn may have a substantial impact on the possibility of reaching the Group's goals, are described in more detail on pages 52–53 and in

Note 33 on pages 108–110 concerning financial risk management.

The highest governing body for risk management is the Board of Directors and its Audit Committee, which routinely manages these risks. In addition, risks are managed in such forums as:

- » ERM Board
- » Compliance Task Force
- » Global Chemicals Task Force
- » IT Governance Board
- » Sustainability Risk Task Force

**Risks.** Trelleborg has chosen to group the risks into four areas.

- » **Strategic risks** include external factors that could impact Trelleborg's operations, and internal factors that could impede opportunities to achieve the operation's strategic goals. Read more about Trelleborg's strategy on pages 19–25.
- » **Operational risks** are risks that Trelleborg can itself largely manage and prevent, and which mainly pertain to processes, assets and employees. Read more about how Trelleborg works to ensure safe and efficient use of resources and about how it works with diversity on pages 38–42.
- » **Regulatory compliance risks** relate to Trelleborg having a global operation that is subject to a large number of laws, regulations and rules pertaining to, for example, the environment, health and safety, trade restrictions, anti-competition regulations and currency regulations. Read more about Trelleborg's compliance with laws and codes on pages 43–45.
- » **Financial risks** include interest rate and foreign exchange risks that could adversely impact the Group's earnings. Furthermore, there are financing risks and liquidity risks, which could result in difficulties in raising new loans or shareholders' equity, as well as financial credit risks. Read more about Trelleborg's financial risk management in Note 33, pages 108–110.

In the Corporate Governance Report on pages 60–61, there is a detailed description of the internal controls used to manage the risks associated with financial reporting.

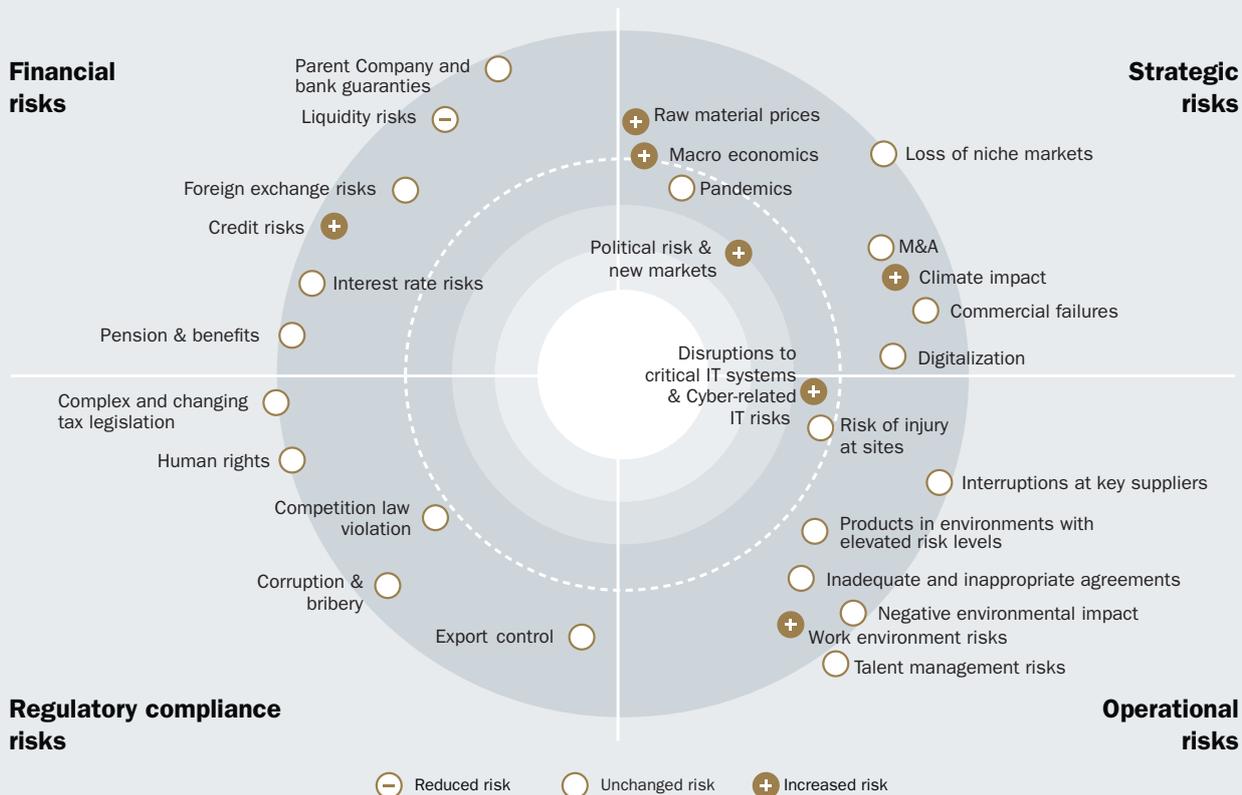
Sustainability risks run as a common thread through these areas and relate to climate impact, work environment risks or risks in the area of human rights. It also includes the risks relating to failure to comply with laws and rules, both as a Group and among the Group's suppliers.

Confidence risks – that is, events and behaviors that negatively impact the company's brands and confidence – are another risk that the Group highlights. For example, the behavior or business decisions of an individual employee could destroy the confidence built up over a long period of time. Trelleborg works on a variety of issues and activities to strengthen and build confidence in the Group, such as training in the Code of Conduct, a clear and well-known brand promise, stakeholder dialog, product safety and so forth.

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

# RISKS WITH A MAJOR IMPACT AT BUSINESS AREA LEVEL AND/OR GROUP LEVEL

**Risks at Trelleborg.** Trelleborg has identified some 30 strategic risks, operational risks, regulatory compliance risks and financial risks using a so-called risk radar. The closer a risk area is to the center of the illustration below, the higher the probability that it will cause financial damage or have an adverse impact on confidence in Trelleborg. The appearance of the risks in the model below indicates changes in relation to the preceding year. Risks with a material impact on the opportunity to achieve the Group's targets are listed in the table below.



## MATERIAL RISKS AT TRELLEBORG

### REGULATORY COMPLIANCE RISKS <sup>1</sup>

Risks	Focus	Management and main activities	Relevance for UN goals
Violation of laws and permits	Compliance with applicable legislation	The Compliance Task Force leads and coordinates initiatives in this area, see page 43. Training seminars are arranged, including competition law and the EU's General Data Protection Regulation (GDPR). There is an established process for export control with a focus on embargoes and trade restrictions, and there are procedures, for example, for approval of membership in organizations and approval of collaborations with third parties.  Regular legal reviews are conducted with a focus on monitoring and ensuring compliance in the Group companies. The Group's internal controls, which are focused on regulatory compliance, have been both expanded and formalized over the past few years.	16.3
Corruption and fraud	Measures preventing fraudulent conduct	Established policies and procedures form the basis of the work in this area, which is supplemented with routine training and a letter of acceptance, signed yearly, for the relevant employees, see page 43. Trelleborg's Whistleblower Policy also entitles all employees to report any suspected legal or regulatory violations without repercussions, see page 133.  Review and evaluation of agency and distribution agreements are regularly conducted. The Group's internal policy instruments have been reviewed, and Policy Quick Guides have been produced to further increase the distribution and comprehension of regulations and the Group's core values.	16.5
Risks in the area of human rights	Child labor/forced labor in the supply chain	Supplier reviews and supplier audits in the areas of risk are conducted based on the Group's geographic and materials risk assessments, see pages 44 and 133.	8.8

<sup>1</sup> Risks in the social sphere are managed by Trelleborg as part of Regulatory compliance risks.

## OPERATIONAL RISKS

Risks	Focus	Management and main activities	Relevance for UN goals
Products in environments with elevated risk levels	Review of products and solutions	Not only risk assessments but also training and workshops are conducted to identify products and contracts where it is especially important that the products comply with the quality and functional requirements necessary in extremely demanding environments – for example, oil and gas, marine hoses for oil and gas, healthcare & medical, and aerospace. Contracts and processes concerning production and project management are also subjected to legal review and risk assessment.	
Inadequate and inappropriate agreements	Examination of agreements	Not only comprehensive training, but also internal and external legal reviews of contract issues and evaluation of contracts in prioritized areas.	
Negative environmental impact	Review of the sites' local environment and focus on hazardous materials and chemicals	Environmental risks are identified in conjunction with all new construction and all acquisitions, with a focus on chemicals management, rainwater and the risk of floods. Sites that are susceptible to risk are routinely monitored.  The Global Chemical Task Force leads the work to phase out and replace substances that are considered harmful, and monitors such substances that may be of interest in the future, see page 38. In addition, there is ISO 14001 multi-site certification, which results in increased standardized analysis and control.	 12.4
Risk of injury at sites	Protection of critical sites	External and internal analyses of the Group's operations are carried out with regard to the most critical sites. Also a more in-depth mapping of natural disaster risks is made, with a particular focus on flooding and wind effects, including such risks that are related to climate change.  There are guidelines for new construction and upgrades of risk-classified sites. The number of such sites upgraded to Highly Protected Risk (HPR) has increased over the past few years. One aim is to improve the lowest performing and most critical sites.	 13.1
Work environment risks	Health and safety	Risks in the area of health and safety are managed via the Safety@Work program, see page 41. Issues concerning employees are otherwise monitored as part of compliance with laws and codes, see pages 43–45, and diversity and inclusion, see pages 41–42.	 8.8
Disruptions to critical IT systems	Minimize disruptions	IT infrastructure service levels are in focus, as is the implementation of Group-wide upgrades in a structured manner. Ensuring compliance with legal requirements in the countries in which the Group operates is an important part, as is information security within and among the systems.	

## STRATEGIC RISKS

Risks	Focus	Management and main activities	Relevance for UN goals
Commercial failures	New product segments, major projects and acquisitions	In conjunction with all acquisitions, there is a due diligence program covering the areas of finance, operations and legal. New products in selected segments such as healthcare & medical and aerospace are approved centrally before development work begins. For the past few years, there has been increased business support when establishing new product segments and for larger projects concerning liability risk management, legal risks and new establishments of operations.	
Climate risks	Adaptation of production and products	Climate and other environmental issues drive local legislation and political instruments, and Trelleborg adapts itself to these in the relevant production countries. At the same time, several of the Group's products and solutions help to reduce atmospheric emissions and protect society from climate change, see the examples on pages 22–25 and page 126.	
	Reduction of CO <sub>2</sub> emissions	During the year, the Group resolved on new climate targets, "50 by 25", for the period 2021–2025.  In line with society's target to keep global warming below 1.5°C, Trelleborg's climate target for the period is to reduce direct and indirect CO <sub>2</sub> emissions (Scope 1 and Scope 2) by 50 percent relative to sales, with 2020 as the base year, and significant reductions of emissions along the value chain (Scope 3). Refer to pages 24–25.  For many years, energy efficiency has been the focus of the Manufacturing Excellence program, see pages 38–39.	 13.1

## FINANCIAL RISKS

Read more about Trelleborg's financial risk management in Note 33, pages 108–110.

# CORPORATE GOVERNANCE THAT SUPPORTS TRELLEBORG'S DEVELOPMENT

2021 was yet another eventful year for the Board. The continued pandemic and uncertainty in the market, the issue of climate change and regulatory matters that are playing an increasingly important role, as well as an Extraordinary General Meeting to resolve on the buyback of shares.

**Increased shareholder value.** The Board's clear ambition is that a Trelleborg shareholder should be satisfied with their investment in the company. Accordingly, it is gratifying to be able to state that Trelleborg presented record-high profit and earnings per share in 2021.

The positive financial performance also enabled several value-generating initiatives for the shareholders:

- » New financial targets for the Group
- » Strong financial position for continued development of the Group, organically and structurally
- » Proposed dividend of SEK 5.50 per share for fiscal year 2021
- » Mandate to buyback own shares

**Focus on sustainability.** During the year, the Group's sustainability work made considerable progress, including a new climate target that was presented at the beginning of 2021. The climate target entails that the Group will halve its carbon emissions related to sales by 2025 and a vision of zero emissions at the end of 2035. The Group's business areas are working in an intensive and structured manner to achieve this target, which is entirely realistic.

In April 2021, Trelleborg also made an official commitment to set a Science Based Target. This will mean that even emissions reductions along the value chain (Scope 3) will be quantified in the period through 2025.

**Corporate governance that promotes value generation.** The corporate governance at Trelleborg also entails that there is to be a clear structure, with clear rules and processes that ensure that the focus of the management and employees is set on developing the business so that it generates value for the shareholders.

Trelleborg's Code of Conduct in the areas of environment, occupational health and safety, and ethics forms a basis for all operations in the Group, and applies to all employees, without exception. The Code of Conduct ensures that Trelleborg, as a global company, serves as an example in line with ambitious norms and a great deal of integrity. Training initiatives in the area are conducted that include an e-learning course, which is available in fifteen languages. The Code of Conduct, together with the Group's whistleblower policy and Compliance Program, comprises a base that corresponds well with Transparency International's anti-corruption guidelines and the Code of Business Conduct from the Swedish Anti-Corruption Institute.

In December 2021, an Extraordinary General Meeting resolved to authorize the Board of Directors to decide on the buyback of own shares during the period until the Annual General Meeting in April 2022. The Board's position is that the repurchased shares will be canceled following decisions at future Annual General Meetings. This means that the total number of Trelleborg shares will decrease and earnings per share will be positively impacted. Our aim is for this to be a multi-year program and, accordingly, the intention is to bring renewed proposals for the buyback of own shares to future annual general meetings. The ambition is to buy back own shares for approximately SEK 2,000–3,000 M per year.

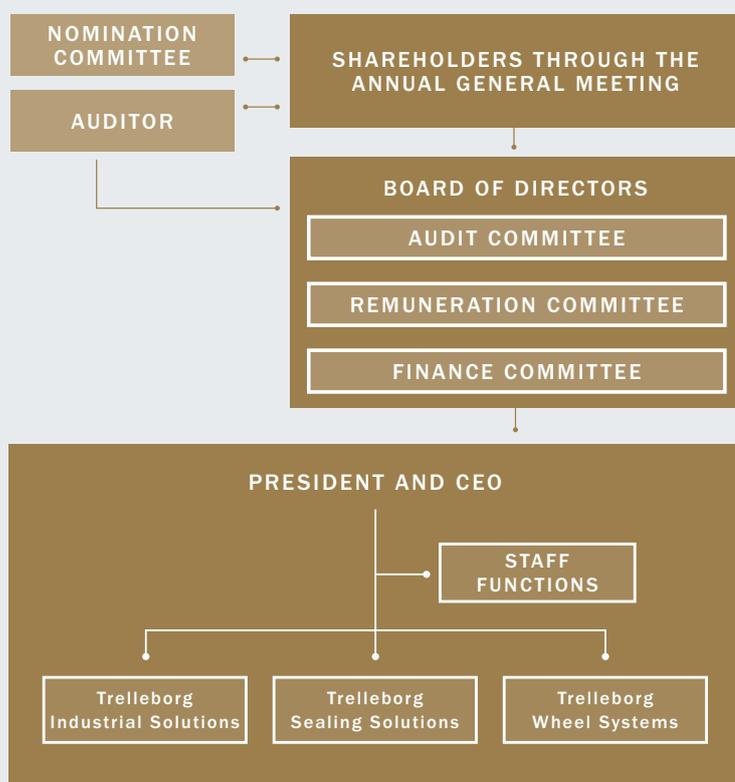
We extend to you a warm invitation to join Trelleborg Group on our continued value-generating journey of development.

*Hans Biörck, Chairman*



**Hans Biörck,**  
Chairman of the Board

# CORPORATE GOVERNANCE IN TRELLEBORG AB



## EXTERNAL POLICY INSTRUMENTS

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

- The Swedish Companies Act
- The Swedish Annual Accounts Act
- Nasdaq Nordic's rules and regulations
- The Swedish Corporate Governance Code
- IFRS
- 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 Communications Policy
- Other instruments, policy documents, manuals and recommendations

In addition to the above, processes are in place for Enterprise Risk Management (ERM), Sustainability 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.

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

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

**Chairman of the Board.** The responsibility of the Chairman of the Board is to lead and guide the work of the Board and ensure that the work is well organized and conducted efficiently, and that the Board fulfills its obligations. The Chairman monitors operations in dialog with the President 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 auditor.

» **Remuneration Committee.** The Remuneration Committee prepares remuneration and other employment terms for the President and decides on these for other senior executives. The Committee represents the Board in managerial and succession planning as well as 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's staff functions – Finance & IT, Legal, Communications and HR – support the Group and business areas with Group-wide expertise and duties. Staff functions include the following:

» **Sustainability.** Group Communications has coordinating responsibility for sustainability reporting. Reports are presented to the Board. The daily sustainability activities take place in the Sustainability Forum, which is a group comprising representatives from the staff functions, as well as out in the operational units.

» **Internal Control.** Internal Control 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 management.** The Group's risk management function is responsible for the Group's Enterprise Risk Management (ERM), which provides a framework for the Group's risk activities. The function reports to the Audit Committee and to the Group's General Counsel. It focuses on evaluating identified risks and consolidating priorities in order to manage risk. Group Treasury is responsible for financial risk management.

# CORPORATE GOVERNANCE REPORT 2021

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 2021 Corporate Governance Report in this section. No deviations from the Code have been reported. The auditor's review was conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement.

**Annual General Meeting 2021.** The 2021 Annual General Meeting took place on April 22, 2021, in Trelleborg. Due to the Coronavirus pandemic, the Meeting was conducted without physical presence, with shareholders exercising their voting rights exclusively by postal voting. According to the voting list prepared, approximately 72 percent of the votes in Trelleborg were represented at the Meeting.

After the Meeting, the Chairman outlined the resolutions adopted at the Annual General Meeting in a recorded address. The President reported on the operations, and the Chairman of the Nomination Committee and Trelleborg's auditor reported on their respective activities during the year.

There was the possibility for shareholders to address written questions to Trelleborg's management prior to the Meeting.

The complete minutes and information on the 2021 Annual General Meeting are available at [www.trelleborg.com](http://www.trelleborg.com).

The resolutions passed by the Meeting included the following:

- » The dividend according to the Board's proposal of SEK 5.00 per share.
- » Re-election of Board members: Hans Biörck, Gunilla Fransson, Johan Malmquist, Peter Nilsson, Anne Mette Olesen and Jan Ståhlberg, as well as the election of new Board member Monica Gimre. Susanne Pahlén Åklundh declined re-election.
- » Re-election of Hans Biörck as Chairman of the Board.
- » Re-election of Deloitte AB as auditor.

- » Remuneration for the Board members and the auditor.
- » The Board's remuneration report for fiscal year 2020.
- » Nomination process for the Nomination Committee.
- » Change in Articles of Association.

**Extraordinary General Meeting 2021.** An Extraordinary General Meeting was held on December 28, 2021. This Meeting was also held by postal vote, with no physical participation. According to the voting list prepared, approximately 67 percent of the votes in Trelleborg were represented at the Meeting.

The resolution that was passed by the Meeting was:

- » To authorize the Board to resolve on the acquisition of own shares for the period until the next Annual General Meeting.

The complete minutes and information on the 2021 Extraordinary General Meeting are available at [www.trelleborg.com](http://www.trelleborg.com).

**Trelleborg's 2022 Annual General Meeting** will be held on April 27, 2022, in Trelleborg. For information on shareholders and the Trelleborg share, refer to pages 12–13 and [www.trelleborg.com](http://www.trelleborg.com).

## Nomination Committee for the 2022 Annual General Meeting.

According to a resolution by the 2021 Annual General Meeting, the Chairman of the Board is to contact the five largest shareholders

## WORK OF THE BOARD OF DIRECTORS IN 2021

	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE
<b>Board meetings</b>		<p>1 Report from Board Committees, report from the auditor, report from the President, Year-end report, proposed dividend, sustainability issues, risk management, legal requirements and insurance coverage, decision on the President's remuneration. Presentation by the business area president of Trelleborg Wheel Systems.</p> <p>2 Annual report 2020.</p>		<p>3 Report from the Board Committees, report from the President, interim report, investments, acquisitions and divestments.</p> <p>4 Statutory Board meeting.</p>		
Audit Committee		M	M	M M		
Remuneration Committee		M	M			
Finance Committee				M		M

M = Committee meetings.

registered as owners in terms of votes by the end of August each year to ask that they appoint one member each to the Nomination Committee for the next Annual General Meeting. If any shareholder declines to appoint a member, the Chairman shall request that the next shareholder in turn appoint a member. The Nomination Committee can decide that the Chairman of the Board will be included in the Nomination Committee, but not be appointed Chairman.

No payment is made to members of the Nomination Committee.

The Nomination Committee for 2022 held three minuted meetings and maintained continuous contact up to and including February 17, 2022. As a basis for the Nomination Committee's work, the Chairman of the Board presented a report on the work of the Board, which included an internal evaluation of the work and function of the Board, as well as holding meetings with the President and two Board members.

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 Diversity Policy applied for the Group's Board of Directors is item 4.1 in the Swedish Corporate Governance Code. The objective is that the Board of Directors, considering Trelleborg's operations, stage of development and conditions in general, is to have a suitable composition, characterized by diversity and breadth as regards the expertise, experience and background of the members elected by the Annual General Meeting, and that an even gender balance is to be sought.

The Nomination Committee took into consideration the Diversity Policy when preparing its proposal for the election of Board members ahead of the 2021 Annual General Meeting, which resulted in the Board composition presented on pages 62–63.

The Nomination Committee's proposals to the 2022 Annual

General Meeting will be published in the official notification and on [www.trelleborg.com](http://www.trelleborg.com).

**Board of Directors 2021.** In 2021, Trelleborg's Board of Directors comprised seven members elected by the Annual General Meeting, including the President. Employees elect three representatives and one deputy to the Board of Directors. The Group's Chief Financial Officer attends the 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 62–63 and Note 10, page 88.

**Work of the Board of Directors.** The Board held 11 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 President, interim reports, structural issues and sustainability issues, as well as resolutions on the President's remuneration and evaluation by the Board of Directors.

In addition to the Board meeting, a study trip was made to a couple of the Group's entities in Sweden.

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 auditor also has meetings with the Board of Directors without the presence of Group Management.

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

JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
5 Report from the Board Committees, report from the President, interim report, sustainability issues, investments.		6 Report from the President, update on digitalization initiatives, strategy issues, financial targets, introduction of a green bond, sustainability issues, acquisitions and divestments, presentation by the business area presidents of the Trelleborg Sealing Solutions and Trelleborg Industrial Solutions business areas.	7 Acquisition issues.	9 Financial Targets, capital structure.	10 Notification of Extraordinary General Meeting for resolution on authorization for the buyback of shares.
			8 Report from Board Committees, report from the auditor, report from the President, interim report, strategic plan 2022–2024, acquisitions and divestments, investments, succession planning, sustainability issues, Board evaluation.		11 Report from Board Committees, report from the auditor, report from the President, strategic plan for 2022–2024, plan for the Annual Report, Board evaluation, Excellence programs, acquisitions and divestments, investments.
M			M		M
			M		M
M		M		M	

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 in relation to management. It is an annual, systematic and structured process. In 2021, a survey was conducted and all members were also interviewed by the Chairman. The results from these interviews 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. The evaluation for 2021 shows that the work of the Board is deemed to have functioned well. 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 three committees from within its ranks; the Audit, Remuneration and Finance 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, legal requirements, 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 ERM issues and IT and IT-related security issues. The Committee is also to represent the Board by monitoring day-to-day financing operations, and annually reviews and makes proposals for changes to the Treasury Policy.

In 2021, seven meetings of the Audit Committee were held.

**Remuneration Committee.** Recurring issues at Remuneration Committee meetings are remuneration principles and evaluation, goals and outcome of variable salaries and long-term incentive programs, succession planning and leadership development. The Remuneration Committee also prepares the annual remuneration report.

In 2021, four meetings of the Remuneration Committee were held.

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

In 2021, five meetings of the Finance Committee were held. Refer to the illustration on pages 56–57.

**Auditor 2021.** The Annual General Meeting resolved that the auditing firm Deloitte AB shall be Trelleborg's auditor for a period of one year.

See page 59 for further information.

**Group Management 2021.** In 2021, Group Management held four meetings. Normally, the meetings take place over a few days to allow time for presentations and discussions. These meetings

focused on the Group's strategic and operational performance and budget follow-up. In addition, several reviews and regular checks took place concerning the performance of operations in relation to, for example, contingency plans for the pandemic, major orders, potential acquisitions, risk management and so forth.

Trelleborg's operations are organized into three business areas. They consist of about 20 business or marketing units, which in turn comprise approximately 40 product or function areas. The organization is based on the principle of decentralized responsibility and authority.

Each legal unit, which does not necessarily reflect the operating units, has its own Board of Directors that focuses on regulatory compliance, among other aspects.

In March 2021, the *Businesses Under Development* reporting segment was discontinued, since its operations had been largely divested or were intended to be divested during 2021. It had been formed at the end of 2019 and comprised a number of operations that were considered to require strategic review with the aim of improving their positions and profitability within 12 to 24 months.

**Sustainability reporting.** Trelleborg has prepared its sustainability report in accordance with the Global Reporting Initiative (GRI) guidelines. The Sustainability Report includes the statutory sustainability statement, which is prepared as a separate report to the annual report in accordance with Chapter 6, Section 11 of the Swedish Annual Accounts Act. The scope of the Sustainability Report and the statutory sustainability statement is outlined in the index overview for the GRI Standards on page 135.

**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 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.

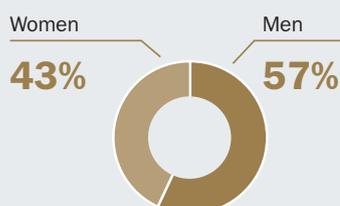
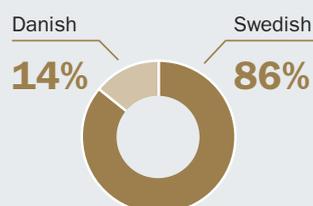
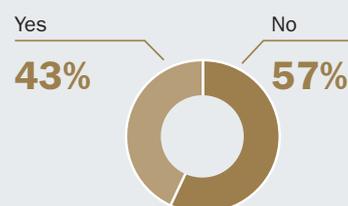
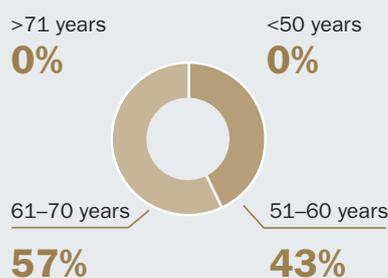
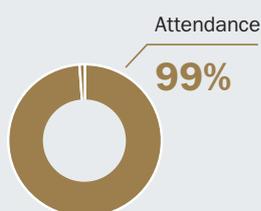
**Core values.** Trelleborg is a global Group characterized by individual and cultural diversity and shared value systems are therefore particularly important. The core values are long-term commitments, which, when coupled with Trelleborg's business concept, goals and strategies, guide the Group in making decisions and conducting business. The core values are:

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

**Diversity.** Trelleborg works to achieve a balanced mix of ethnicities, ages and genders in its operations. The Group's Diversity Policy 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 pages 41–42.

## MEMBERS OF BOARD COMMITTEES AT DECEMBER 31, 2021

AUDIT COMMITTEE	REMUNERATION COMMITTEE	FINANCE COMMITTEE
Gunilla Fransson, Chairman	Hans Biörck, Chairman	Hans Biörck, Chairman
Hans Biörck	Johan Malmquist	Johan Malmquist
Monica Gimre	Anne Mette Olesen	Jan Ståhlberg
Jan Ståhlberg		

GENDER DISTRIBUTION IN THE BOARD OF DIRECTORS <sup>1</sup>BOARD'S NATIONALITY <sup>1</sup>DEPENDENCE IN RELATION TO MAJOR SHAREHOLDERS OR POSITION <sup>1</sup>AGE DISTRIBUTION ON THE BOARD OF DIRECTORS <sup>1</sup>BOARD MEETING ATTENDANCE <sup>1</sup>TIME ON THE BOARD OF DIRECTORS <sup>1</sup>

<sup>1</sup> Board members elected by the Annual General Meeting, including the President and CEO.

## NOMINATION COMMITTEE FOR THE 2022 ANNUAL GENERAL MEETING

Name/Representing	Share of votes, % Aug 31, 2021	Share of votes, % Dec 31, 2021
Ragnar Lindqvist, Dunker Foundations	54.10	54.10
Per Trygg, Lannebo Funds	2.45	2.47
Anna Sundberg, Handelsbanken Funds	2.04	2.24
Jan Särilvik, Nordea Funds	0.77	0.88
Emilie Westholm, Folksam	0.85	0.79
<b>Total</b>	<b>60.21</b>	<b>60.48</b>

## AUDITOR'S REMUNERATION

SEK M	2021	2020
<i>Deloitte</i>		
Audit assignment	23	24
Audit activities other than audit assignment	1	2
Tax consultancy services	0	0
Other services	0	1
<i>Other auditors</i>		
Audit assignment	6	5
Audit activities other than audit assignment	0	0
Tax consultancy services	-	-
Other services	-	0
<b>Total</b>	<b>30</b>	<b>32</b>

## AUDITOR 2021

**Hans Warén****Authorized Public Accountant**

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, Industrivärden and SKF.

Born: 1964.

# 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.

Trelleborg's Board of Directors has concluded that the current Internal Control set up is sufficient from a corporate governance perspective and that there is no need for an internal audit function.

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 and are observed. Refer to page 55 for list of external and internal policy instruments.

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 Chief Financial Officer. 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.

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 61.

**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 initiative. All relevant employees annually confirm in writing their knowledge of, and compliance with, the Group's internal policy instruments.

The Group's Chief Financial Officer 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 the 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, Audit Committee, President, Group Management, the staff functions of Internal Control, 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 2021.** The Internal Control staff function conducted 47 internal audits in 25 countries during the year. Of these, 14 were IT security audits. The focus was primarily on Europe and North America. The number of audits increased compared with the preceding year and was, in principle, on the same level as before the pandemic. Most of the internal controls 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 controls of IT security were carried out by external IT consultants together with the Group IT staff function. In 2021, the Internal Control staff function also worked on a broad front with reviews of all processes and most controls were conducted digitally.

**Activities in focus in 2022.** The number of planned internal audits amounts to 61 and comprises 55 entities. Geographically, the Internal Control staff function will primarily devote a greater focus to Asia and the US. In 2022, the Internal Control staff function will continue to work broadly with reviews of all processes. A small number of internal controls are planned with the support of record analysis.

#### INTERNAL CONTROL STRUCTURE OF THE TRELLEBORG GROUP

	Self-assessment	Internal Control	Training/Tools
Financial reports and reporting processes	<ul style="list-style-type: none"> <li>Group-wide reporting system with quarterly feedback from subsidiaries.</li> </ul>	<ul style="list-style-type: none"> <li>Internal controls are conducted by the Internal Control staff function in cooperation with internal resources from other staff functions and external consultants.</li> </ul>	<ul style="list-style-type: none"> <li>Training programs in defined processes relating to minimum requirements for good internal control are carried out when necessary.</li> </ul>
Purchasing process	<ul style="list-style-type: none"> <li>Companies respond to how they comply with the Group's minimum requirements for good internal control in selected processes.</li> </ul>	<ul style="list-style-type: none"> <li>Internal controls of IT security are carried out by the head of Group IT together with external consultants.</li> </ul>	<ul style="list-style-type: none"> <li>The purpose of the training programs is to raise awareness and understanding of efficient processes and good internal control.</li> </ul>
Inventory process	<ul style="list-style-type: none"> <li>Deficiencies are identified, measures are planned and implemented by the companies.</li> </ul>	<ul style="list-style-type: none"> <li>Covers 7 selected processes and about 280 minimum requirements for good internal control.</li> </ul>	<ul style="list-style-type: none"> <li>Training programs are a forum for the exchange of experience and sharing best practice.</li> </ul>
Sales process	<ul style="list-style-type: none"> <li>Encompasses approximately 170 subsidiaries.</li> </ul>	<ul style="list-style-type: none"> <li>Internal controls result in observations, recommendations and proposals for decisions and measures.</li> </ul>	<ul style="list-style-type: none"> <li>Training programs in defined processes related to minimum requirements for good internal control are also held as an integrated part of the internal audits.</li> </ul>
Process for property, plant and equipment	<ul style="list-style-type: none"> <li>Covers 7 selected processes and about 280 minimum requirements for good internal control.</li> </ul>	<ul style="list-style-type: none"> <li>Identified deficiencies are followed up on a quarterly basis by business area controllers and the Internal Control staff function.</li> </ul>	<ul style="list-style-type: none"> <li>Material available on the intranet to provide employees access to standardized tools and documents, as well as examples of business solutions.</li> </ul>
IT security process			
Salary management process, incl. pensions and other compensation	<ul style="list-style-type: none"> <li>All relevant employees annually confirm in writing their knowledge of, and compliance with, the Group's internal policy instruments.</li> </ul>		

#### THE FOLLOWING INFORMATION IS AVAILABLE AT [WWW.TRELLEBORG.COM](http://WWW.TRELLEBORG.COM):

- » The Articles of Association
- » The Code of Conduct
- » Corporate Governance Reports from 2007 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 2022 Annual General Meeting



	Hans Biörck	Gunilla Fransson	Monica Gimre	Johan Malmquist
	Chairman	Member	Member	Member
Year elected	2009, Chairman 2018	2016	2021	2016
Born	1951	1960	1960	1961
Nationality	Swedish	Swedish	Swedish	Swedish
Qualifications	Graduate in business administration	M.Sc. Eng. and Licentiate of Technology	M.Sc. Eng.	Graduate in business administration
Other assignments	Chairman of the Board of Skanska AB. Board member of Svenska Handelsbanken AB	Chairman of the Board of Net Insight AB. Board member of Dunker Foundations, Eitel AB, Nederman AB, and Securitas AB		Chairman of the Board of Arjo AB and Getinge AB. Board member of Dunker Foundations, Elekta AB, Mölnlycke Health Care AB, Stena Adactum AB and the Chalmers University of Technology Foundation
Employment and primary professional experience	Full-time Board member and/or Chairman  Formerly CFO of Skanska AB, Autoliv Inc. and Esselte AB	Full-time Board member and/or Chairman  Formerly various senior positions at Saab AB and Ericsson AB	President and CEO Sidel Group  Formerly various senior positions at Tetra Pak and Alfa Laval	Full-time Board member and/or Chairman  Formerly President and CEO of Getinge AB and various senior positions at Electrolux AB
Dependence in relation to major shareholders or position	No	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, the Dunker Foundations	No	Yes. Dependent in relation to the company's major shareholders through his assignment on behalf of Trelleborg's main owner, the Dunker Foundations
Own and related-party holdings 2021	10,000 shares	3,000 shares	4,538 shares	5,000 shares
Shares in related companies	–	–	–	–
Board meeting attendance	Chairman 11 of 11	Member 10 of 11 <sup>2</sup>	Member 8 of 11 <sup>4</sup>	Member 11 of 11
Audit Committee attendance	Member 7 of 7	Chairman 6 of 7 <sup>3</sup>	Member 4 of 7 <sup>5</sup>	–
Remuneration Committee attendance	Chairman 4 of 4	–	–	Member 4 of 4
Finance Committee attendance	Chairman 5 of 5	–	–	Member 5 of 5
Total reimbursement 2021, SEK 000s <sup>1</sup>	2,285	900	800	820
Of which Board, SEK 000s	1,900	650	650	650
Of which Committees, SEK 000s	385	250	150	170

Board assignments and holdings in Trelleborg as stated above reflect the situation as per December 31, 2021.

<sup>1</sup> Remuneration paid to the Board of Directors for the period May 2021–April 2022. 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 2021 calendar year, remuneration was paid as per Note 10. No consulting fees were paid to the Board members. Remuneration is not paid to executive Board members. Remuneration excludes travel allowances.

<sup>2,3</sup> Not in attendance at Board meeting number 1 and committee meeting number 1.

<sup>4,5</sup> Succeeded Susanne Pahlén Åklundh from Board meeting number 4 and committee meeting number 4.

## BOARD MEMBERS AND DEPUTIES APPOINTED BY THE EMPLOYEE ORGANIZATIONS



### Maria Eriksson

Employee representative, appointed by the Unions of the Trelleborg Group (PTK)  
Elected to the Board: 2020  
Born: 1972  
Nationality: Swedish  
Quality engineer. Other assignments: Chairman of Unionen Trelleborg Ersmark AB and member of Trelleborg Swedish Works Council (PTK)  
Qualifications: Engineer, machine specialist  
Shareholding 2021: –  
Board meeting attendance: 11 of 11



### Jimmy Faltn

Employee representative, appointed by the Unions of the Trelleborg Group (LO)  
Elected to the Board: 2018  
Born: 1965  
Nationality: Swedish  
Machine operator. Other assignments: Member of the Trelleborg European Work Council, the Trelleborg Swedish Works Council (LO) and the Negotiating Delegation Technology Agreement IF Metall. Division Chairman IF Metall Norra Västerbotten  
Qualifications: Training in behavioral science, employment contracts and labor law  
Shareholding 2021: –  
Board meeting attendance: 11 of 11



	Peter Nilsson	Anne Mette Olesen	Jan Ståhlberg
	Member	Member	Member
Year elected	2006	2015	2018
Born	1966	1964	1962
Nationality	Swedish	Danish	Swedish
Qualifications	M.Sc. Eng.	MBA and B.Sc. Eng.	Graduate in business administration
Other assignments	Chairman of the Board of Cibes Holding AB. Board member of Couplers Holdco AB and the Chamber of Commerce and Industry of Southern Sweden		Board member of Bactiguard Holding AB and ITB-Med AB
Employment and primary professional experience	President and CEO of Trelleborg AB Formerly Business Area President at Trelleborg and other posts within the Trelleborg Group, as well as management consultant at BSI	Chief Strategy & Sustainability Officer AAK AB Formerly various senior positions at Coloplast A/S, Chr. Hansen A/S and Danisco Ingredients A/S	Founder and CEO of Trill Impact AB Formerly Vice President and Deputy Chairman of EQT and various senior positions at Ovako Steel
Dependence in relation to major shareholders or position	Yes. Dependent in relation to the company as a result of his position as Trelleborg's President	No	No
Own and related-party holdings 2021	60,572 shares and 50,000 call options (2018) <sup>6</sup>	2,500 shares	130,000 shares
Shares in related companies	–	–	–
Board meeting attendance	Member 11 of 11	Member 11 of 11	Member 11 of 11
Audit Committee attendance	–	–	Member 7 of 7
Remuneration Committee attendance	–	Member 4 of 4	–
Finance Committee attendance	–	–	Member 5 of 5
Total reimbursement 2021, SEK 000s <sup>1</sup>	–	735	885
Of which Board, SEK 000s	–	650	650
Of which Committees, SEK 000s	–	85	235

Board assignments and holdings in Trelleborg as stated above reflect the situation as per December 31, 2021.

<sup>1</sup> Remuneration paid to the Board of Directors for the period May 2021–April 2022. 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 2021 calendar year, remuneration was paid as per Note 10. No consulting fees were paid to the Board members. Remuneration is not paid to executive Board members. Remuneration excludes travel allowances.

<sup>6</sup> Refer to page 64 for more information about call options.



#### Lars Petterson

Employee representative, appointed by the Unions of the Trelleborg Group (LO)  
Elected to the Board: 2018  
Born: 1965  
Nationality: Swedish  
Machine operator. Other assignments: Member of Unions of the Trelleborg Group (LO)  
Qualifications: Cabinetmaker, training in negotiation and in salary system development  
Shareholding 2021: –  
Board meeting attendance: 11 of 11



#### Magnus Olofsson

Deputy employee representative, appointed by the Unions of the Trelleborg Group (PTK)  
Elected to the Board: 2021  
Born: 1964  
Nationality: Swedish  
Production manager and process manager. Other assignments: Chairman of Unionen Trelleborg Industri AB and Trelleborg AB and member of Trelleborg Swedish Works Council (PTK)  
Qualifications: Rubber and plastics technology. Previous positions in production management, product and process development.  
Shareholding 2021: –  
Board meeting attendance: 11 of 11



	Peter Nilsson	Fredrik Nilsson	Jean-Paul Mindermann	Peter Hahn
<b>Position</b>	President and CEO	Chief Financial Officer (CFO)	Business Area President, Trelleborg Industrial Solutions	Business Area President, Trelleborg Sealing Solutions
<b>Employed</b>	1995	2021	2011	2001
<b>In current position since</b>	2005	2021	2017	2018
<b>Born</b>	1966	1977	1965	1958
<b>Nationality</b>	Swedish	Swedish	German	US/German
<b>Qualifications</b>	M.Sc. Eng.	Graduate in business administration	Graduate in business administration	M.Sc. Eng.
<b>Other assignments</b>	Chairman of the Board of Cibes Holding AB. Board member of Couplers Holdco AB, Trelleborg AB and the Chamber of Commerce and Industry of Southern Sweden		President of Contex Holding GmbH and Board member of Herschel Infrared Ltd, Herschel Energy Ltd and Terra Fidelis GmbH	
<b>Professional experience</b>	Business Area President at Trelleborg and other posts within the Trelleborg Group, as well as management consultant at BSI	Chief Financial Officer AAK AB, various finance roles in Sandvik	Business Unit President at the Trelleborg Group, President of Premia Group, CEO of Watts Industrial Tires and other senior management functions	Business Unit President at the Trelleborg Group and various senior positions at 4M Technologies, Leybold and Degussa
<b>Own and related-party holdings 2021</b>	60,572 shares and 50,000 call options <sup>1</sup>	3,475 shares	8,500 shares and 12,500 call options <sup>1</sup>	12,500 call options <sup>1</sup>
<b>Shares in related companies</b>	–	–	–	–

<sup>1</sup> In November 2018, the principal owner – The Henry Dunker Donation Fund & Foundations – offered the members of Group management 12,500 call options each in Trelleborg, except the President and CEO who was offered 50,000 call options, with a term of five years. The members of Group management purchased these call options at a price of SEK 9.86 per call option. Each call option entitles the holder to purchase one Series B share at a call price of SEK 175.83. The Black & Scholes method was used in the valuation of the call options. The principal owner's intention in introducing the program is to encourage Group management's long-term commitment to the company. Trelleborg AB did not participate in the offer and will not be charged with any earnings effect related to the program.

## REMUNERATION OF GROUP MANAGEMENT 2021

SEK 000s		Fixed salary	Annual variable salary	Long-term incentive program <sup>1</sup>	Other benefits	Total	Pension costs	Total including pension
President	2021	11,917	8,956	4,614	221	25,708	5,181	30,889
	2020	11,330	2,057	–	198	13,585	5,047	18,632
Group Management, others (6 persons)	2021	24,401	13,233	5,461	1,124	44,219	5,574	49,793
	2020	23,610	5,024	–	1,528	30,162	6,620	36,782
<b>Total</b>	<b>2021</b>	<b>36,318</b>	<b>22,189</b>	<b>10,075</b>	<b>1,345</b>	<b>69,927</b>	<b>10,755</b>	<b>80,682</b>
<b>Total</b>	<b>2020</b>	<b>34,940</b>	<b>7,081</b>	<b>–</b>	<b>1,726</b>	<b>43,747</b>	<b>11,667</b>	<b>55,414</b>

<sup>1</sup> Expensed in 2021. Payment is made in the first quarter, 2022 to 2024, on condition that the individual is employed in the Group on December 31 of the preceding year.



	Paolo Pompei	Katarina Olsson*	Patrik Romberg
Position	Business Area President, Trelleborg Wheel Systems	Senior Vice President, General Counsel	Senior Vice President, Communications and Senior Vice President, Human Resources
Employed	1999	2022	2006
In current position since	2017	2022	2011
Born	1971	1971	1966
Nationality	Italian	Swedish	Swedish
Qualifications	B.Sc. in economics, M.Sc. in international trade	Master of Law	MBA and university studies in behavioral science and education
Other assignments			
Professional experience	Business Unit President at the Trelleborg Group	General Counsel Beijer Ref and Senior Corporate Counsel ICA and Ericsson. President and partner Wacht & Troy	Various positions at the Trelleborg Group and Unilever
Own and related-party holdings 2021	12,500 call options <sup>1</sup>	500 shares	901 shares and 12,500 call options <sup>1</sup>
Shares in related companies	–	–	–

<sup>1</sup> In November 2018, the principal owner – The Henry Dunker Donation Fund & Foundations – offered the members of Group management 12,500 call options each in Trelleborg, except the President and CEO who was offered 50,000 call options, with a term of five years. The members of Group management purchased these call options at a price of SEK 9.86 per call option. Each call option entitles the holder to purchase one Series B share at a call price of SEK 175.83. The Black & Scholes method was used in the valuation of the call options. The principal owner's intention in introducing the program is to encourage Group management's long-term commitment to the company. Trelleborg AB did not participate in the offer and will not be charged with any earnings effect related to the program.

\*Charlotta Gräns left her employment with the Group during the first quarter of 2022 and will be succeeded by Katarina Olsson during the second quarter of 2022.



## PRINCIPLES FOR REMUNERATION

The following principles for remuneration of senior executives were adopted by the 2020 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, evaluates and adapts 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 governing benefits for senior executives as well as a global Remuneration Policy covering all managers and senior salaried employees. In 2021, total remuneration of Group Management amounted to SEK 69,927,000 (43,747,000), excluding pension premiums, and SEK 80,682,000 (55,414,000), including pension premiums.

For additional information concerning remuneration, refer to Note 10, pages 87–88.

# REMUNERATION REPORT 2021

This report describes how the principles for remuneration of senior executives at Trelleborg, adopted by the 2020 Annual General Meeting, were implemented in 2021. The report has been prepared in accordance with the Swedish Companies Act and the remuneration rules issued by the Swedish Corporate Governance Board.

## Scope, purpose and deviations

A prerequisite for the successful implementation of Trelleborg's business strategy and safeguarding of its long-term interests, including its sustainability strategy, is that Trelleborg is able to recruit and retain qualified personnel. To this end, it is necessary that Trelleborg offers market-based and competitive remuneration. Trelleborg's principles for remuneration of senior executives enable Trelleborg to offer executives a competitive total remuneration. Under these principles, executive remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits.

The variable cash remuneration shall be linked to predetermined and measurable criteria, which may be financial or non-financial. These may also be individualized, quantitative or qualitative objectives.

The principles for remuneration of senior executives were adopted unanimously by the 2020 Annual General Meeting. They have been fully implemented in 2021, with a deviation being unanimously approved by the Board of Directors.

The principles allow temporary derogations in specific cases. In early 2021 it was decided to implement stretched targets and the potential for increased maximum variable cash remuneration for 2021 that goes beyond the principles of remuneration. The decision was made to further stimulate the operational performance of Trelleborg and to incentivize high engagement of senior executives.

- » Maximum target for earnings was stretched
- » Maximum target for operating cash flow was stretched
- » Potential maximum variable cash remuneration in 2021 was increased by an average of 6.4 percentage units



**Trelleborg's remuneration structure optimizes the commitment of senior executives to the Group's growth, thereby benefiting shareholders, while giving Trelleborg the flexibility to reward results and retain senior executives."**

**Hans Biörck,**

Chairman of the Board and chairman of the Remuneration Committee



The potential financial benefits for the company were considered well motivated.

The long-term incentive programs were unaffected by this derogation. It is the Board of Directors' opinion that the derogation is beneficial for the performance and development of Trelleborg, as it optimizes the involvement of senior executives and thereby create additional value for shareholders.

The auditor's report regarding Trelleborg's compliance with the principles for remuneration of senior executives is available under Corporate governance at [www.trelleborg.com](http://www.trelleborg.com).

No remuneration was reclaimed or limited, nor did the company refrain from making any payment in 2021.

## Share-based remuneration

Trelleborg does not have any long-term share-based incentive plans. It should be noted that Trelleborg's principal owner – the Henry Dunker Donation Fund & Foundations – offered Trelleborg Group Management call options in 2018 with a term of five years. Trelleborg did not participate in this offer and any expenses in connection herewith will therefore not be incurred for the Trelleborg Group. For more information regarding this incentive plan, including the criteria on which the outcome will be based, please refer to the section on Trelleborg Group Management on pages 64–65 of 2021 Annual Report.

## Application of performance criteria

The performance measures forming the basis for the CEO's variable remuneration have been selected to ensure delivery in line with Trelleborg's strategy and to encourage behavior that is in the long-term interests of Trelleborg. The strategic objectives and short and long-term business priorities for 2021 have been taken into account in the selection of performance measures. The performance criteria forming the basis for the one-year annual variable salary were Earnings before tax or Earnings before interest and tax (EBT or EBIT), Operating cash flow (OCF) and a sustainability target. The performance criteria for the three-year long-term incentive (LTI) program was Earnings per share (EPS). All performance criteria exclude items affecting comparability.

## Further information on executive remuneration

Further information on executive remuneration is available in Note 10 (Employees and personnel costs) on pages 87–88 of the 2021 Annual Report. Information on the work of the Remuneration Committee in 2021 is set out

in the Corporate Governance Report, available on pages 55–59 of the 2021 Annual Report.

Remuneration of the Board of Directors is not covered by this report. Such remuneration is resolved annually by the Annual General Meeting and disclosed in Note 10 on page 88 of the 2021 Annual Report.

### Information on key developments 2021

The CEO summarizes Trelleborg's overall performance in his statement on pages 4–7 of the 2021 Annual Report.

## 1 – Total remuneration of the CEO

Table 1 below sets out the total remuneration earned by Trelleborg's CEO during 2021 and 2020.

SEK 000s	Year	Fixed remuneration		Variable remuneration			Pension expense	Total remuneration	Proportion of fixed and variable remuneration <sup>2</sup>
		Fixed salary	Other benefits	Annual variable salary	Multi-year variable	Extraordinary items <sup>1</sup>			
Peter Nilsson, CEO	2021	11,917	221	8,956	4,614		5,181	30,889	56/44
	2020	11,330	198	2,057	–		5,047	18,632	89/11

<sup>1</sup> Due to erroneous calculations of the annual variable salary and the long-term incentive outcome during the period 2017–2020, the CEO received a one-off payment of SEK 1.3 M in April 2021, fulfilling the employment contract and the decisions made by the Board during the period regarding the CEO's remuneration. The erroneous calculations only concerned the CEO and have had no significant impact on the historic performance of Trelleborg, nor on the performance of 2021.

<sup>2</sup> Pension included in fixed remuneration.

### 2a – Performance of the CEO in the reported fiscal year

Table 2a below describes how the criteria for payment of variable short-term remuneration have been applied during the fiscal year.

	Remuneration components	Relative weighting of the performance criteria	a) Measured performance and b) actual award/remuneration outcome
Peter Nilsson, CEO	Earnings before tax (EBT) <sup>3</sup>	65%	a) EUR 507.3 M b) SEK 5,940,000
	Operating cash flow (OCF) <sup>3</sup>	25%	a) EUR 445.3 M b) SEK 2,285,000
	Sustainability	10%	a) Full achievement b) SEK 731,000

<sup>3</sup> Excluding items affecting comparability.

### 2b – Performance of the CEO in the reported fiscal year

Table 2b below describes how the criteria for payment of variable long-term remuneration have been applied during the fiscal year.

	Remuneration components	Relative weighting of the performance criteria	a) Measured performance and b) actual award/remuneration outcome
Peter Nilsson, CEO	Earnings per share (EPS) <sup>3</sup> 2021 (Program 2019–2021)	33.3%	a) SEK 14.25 b) –
	Earnings per share (EPS) <sup>3</sup> 2021 (Program 2020–2022)	33.3%	a) SEK 14.25 b) SEK 2,179,000
	Earnings per share (EPS) <sup>4</sup> 2021 (Program 2021–2023)	33.3%	a) SEK 14.25 b) SEK 2,434,000

<sup>4</sup> Excluding items affecting comparability.

## 3 – Comparative information on change in remuneration and Trelleborg performance

Table 3 – Changes in remuneration and Trelleborg performance over the last five reported fiscal years

Annual change	2017 vs 2016	2018 vs 2017	2019 vs 2018	2020 vs 2019	2021 vs 2020	2021
<b>Executive remuneration</b>						
Peter Nilsson, CEO, SEK 000s	+179 (0.7%)	+930 (3.5%)	–5,285 (–19%)	–3,860 (–17.2%)	+12,257 (65.7%)	30,889
<b>Trelleborg's performance</b>						
Earnings before interest and tax (EBIT) <sup>5</sup> , SEK M	–3,718 (–47.6%)	+603 (14.7%)	–36 (–0.8%)	–376 (–8.1%)	+1,023 (23.9%)	5,304
Earnings per share (EPS) <sup>5</sup> , SEK	–14.53 (–57.3%)	+1.52 (14.0%)	–0.45 (–3.7%)	–1.0 (–8.4%)	+3.36 (30.8%)	14.25
<b>Employee remuneration</b>						
Average total remuneration on a full-time-equivalent basis of employees of Trelleborg AB, excluding Group Management, SEK 000s	–244 (–17.6%)	+77 (7.3%)	+17 (1.5%)	–64 (–5.6%)	–90 (–8.3%)	992
Development of gap between the remuneration of senior executives and remuneration of employees of Trelleborg AB, excluding Group Management, %	1.71	–0.31	–2.89	–1.17	7.01	

<sup>5</sup> Excluding items affecting comparability.



# A good clean taste

Walk into any supermarket and you'll find an abundance of choices in the beverage section, with rows of energy drinks, sodas and juices. For a beverage to get there, it has probably passed several thousand Trelleborg seals.



# 3,000

Number of seals in a filling machine.

Based on the type of beverage and the cleaning agent used in the filling process, Trelleborg's software-as-a-service solution can indicate which seal compound is the best match.



## “The seals have been specially developed for the food sector.”

Martin Krüger,  
Area Sales Manager

**A** large filling machine can have up to 3,000 different seals. Pipes, heat exchangers, valves – all of them require seals to connect parts, control pressure and add the right amount of beverage to each unit.

“Whether simple O-Rings, complex molded parts or gaskets, our seals ensure that bottles, cans and kegs can be safely filled, without contamination or being affected by aroma carryover,” says Martin Krüger, Area Sales Manager at Trelleborg.

**Filling equipment** must be precisely engineered and very well sealed. A hygienic, well-conceived design is fundamental for the secure delivery of the product to the consumer.

“The seals have been specially engineered for food and beverage processing applications. Designs have been developed to avoid the dead space around, within or beneath a seal. Bacteria or micro-organisms can be deposited

and these can literally develop a “life of their own”. This can lead to contamination with germs and mold,” says Martin Krüger.

If dead space can be avoided in a filling machine, not only will incidences of spontaneous infection of beverages be lowered, but cleaning cycles can be reduced. This in turn relieves the seals themselves, making them more durable and extending a seal's life cycle.

**The trend** toward flavored drinks has put new focus on the issue of aroma carryover from one beverage to another after changeover in the filling process.

“Sealing solutions for such processing lines must be resistant to various acids from sodas and fruit juices. In these circumstances, ensuring seal compatibility becomes extremely challenging. The aim is to establish the sealing material's resistance to flavor carryover and its durability in contact with heat and industrial cleaning chemicals,” says Martin Krüger. ■

# COMMENTS ON THE CONSOLIDATED INCOME STATEMENTS

Trelleborg's performance was strong in 2021 despite the continued negative impact of the Coronavirus pandemic. The Group reported a record in terms of net sales, operating profit, operating margin, and earnings per share.

Net sales increased 12 percent compared with the preceding year. The trend was positive for most of the Group's market segments compared with the preceding year despite the continued impact of the ongoing pandemic and the restrictions that authorities were forced to impose. Order intake during the year was healthy in most geographies and market segments. The year was also characterized by challenges in the form of rising prices of raw materials and energy costs. The supply chains were disrupted by shortages of some components and raw materials. A continued shortage of containers in some regions and historically high freight costs were also challenging. Nonetheless, both sales and earnings were the highest ever for the Group.

## CONTINUING OPERATIONS

### Net sales

Sales for the Group's continuing operations increased by 12 percent during the year and amounted to SEK 33,864 M (30,258). The organic sales increase was SEK 4,624 M, corresponding to 16 percent. Effects of structural changes totaled SEK 114 M. Exchange rate effects upon translation of sales in 2020 to the exchange rates applying for 2021 amounted to negative SEK 1,132 M, a decline of 4 percent. All business areas reported positive organic sales growth during the year.

The distribution of net sales between various market segments was constant compared with the preceding year. The share of consolidated net sales attributable to capital-intensive industry decreased slightly during the year and amounted to 55 percent (56), with sales related to agriculture at 20 percent (20), transportation equipment increased to 20 percent (19), and infrastructure construction declined to 7 percent (8). Aerospace amounted to 5 percent (6) and the oil & gas segment accounted for 3 percent (3) of consolidated net sales. The portion related to general industry was 33 percent (33) and that attributable to the light vehicles market segment amounted to 12 percent (11).

The Trelleborg Industrial Solutions business area conducts operations in several of the Group's market segments. Organic sales for the full year increased 10 percent compared with 2020. The sales trend was positive in all major geographic regions. All of the market segments reported positive organic sales. The orderbook was built up continuously and achieved a record level at the end of the year. Exchange rate effects had a negative impact on sales of 4 percent while companies acquired during the year made a contribution of 1 percent.

For the Trelleborg Sealing Solutions business area, organic sales increased by 19 percent compared with the preceding year. The sales trend to all geographic regions and industries developed positively, apart from the aerospace industry, which saw lower demand during the first half of the year. Exchange rate

effects had a negative impact on sales of 4 percent while companies acquired during the year made a marginal contribution.

For the Trelleborg Wheel Systems business area, organic sales increased by 19 percent compared with the preceding year. Sales increased in all major regions. The organic sales trend for tires for agricultural machinery, material handling vehicles and off-highway vehicles was positive in all cases. During the second half of the year, the situation improved further for all categories of tires. Changed exchange rates from the translation of subsidiaries had a negative impact of about 4 percent on sales.

### Net sales per market

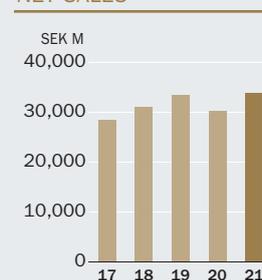
Organic sales increased 16 percent compared with 2020. In Europe overall, organic sales increased by 14 percent. In key countries, such as Germany, France, Italy, and Sweden, the increase was higher than the average for Europe as a whole, while it was lower in the UK. Developments in Poland and the Czech Republic were also positive with growth of 15–18 percent. Organic sales in the Group's largest market, the US, increased by 12 percent and sales in the Canadian market increased by 9 percent. Sales in Brazil increased by 84 percent compared with the preceding year, while sales in Mexico rose 21 percent. In total for South and Central America, the organic sales increase was 48 percent. In Asia and other markets, organic sales increased by 22 percent compared with the preceding year, with the most important market, China, increasing by 30 percent and Australia by 12 percent.

In total, Western Europe accounted for 55 percent (56) of consolidated net sales. The share for North America was 23 percent (24). South and Central America accounted for 4 percent (3), while the combined share for the markets in Asia and the Rest of the World was 18 percent (17).

## NET SALES BY BUSINESS AREA

SEK M	2021	2020	Organic change, %	Structural change, %	Exchange rate change, %	Total change, %
Trelleborg Industrial Solutions	11,071	10,335	10	1	-4	7
Trelleborg Sealing Solutions	12,480	10,892	19	0	-4	15
Trelleborg Wheel Systems	10,076	8,765	19	-	-4	15
Group activities/Eliminations	237	266				
<b>Continuing operations</b>	<b>33,864</b>	<b>30,258</b>	<b>16</b>	<b>0</b>	<b>-4</b>	<b>12</b>

## NET SALES



## CONSOLIDATED INCOME STATEMENTS

SEK M	Note	2021	2020
<b>Net sales</b>	2	<b>33,864</b>	<b>30,258</b>
Cost of goods sold		-22,849	-20,282
<b>Gross profit</b>		<b>11,015</b>	<b>9,976</b>
Selling expenses		-2,688	-2,577
Administrative expenses		-2,743	-2,680
R&D costs		-532	-543
Other operating income	6	565	507
Other operating expenses	6	-469	-586
Share of profit or loss in associated companies	12	3	-2
<b>EBIT, excluding items affecting comparability</b>		<b>5,151</b>	<b>4,095</b>
Items affecting comparability	5	-136	-318
<b>EBIT</b>	4, 7, 10	<b>5,015</b>	<b>3,777</b>
Financial income	8	122	156
Financial expenses	8	-298	-422
<b>Profit before tax</b>		<b>4,839</b>	<b>3,511</b>
Income tax	9	-1,173	-854
<b>Net profit, continuing operations</b>		<b>3,666</b>	<b>2,657</b>
Net profit, discontinuing operations	25	50	54
<b>Net profit, Group</b>		<b>3,716</b>	<b>2,711</b>
- shareholders of the Parent Company		3,717	2,712
- non-controlling interests		-1	-1

EARNINGS PER SHARE<sup>1</sup>, SEK

Continuing operations	13.53	9.81
Discontinuing operations	0.18	0.19
<b>Group, total</b>	<b>13.71</b>	<b>10.00</b>
Group, excluding items affecting comparability	14.25	10.89
Continuing operations, excluding items affecting comparability	13.95	10.44

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

## NUMBER OF SHARES, DIVIDEND

On the balance sheet date	271,071,783	271,071,783
Average	271,071,783	271,071,783
Dividend, SEK <sup>2</sup>	5.50	5.00

<sup>2</sup> As proposed by the Board of Directors.

## STATEMENTS OF COMPREHENSIVE INCOME

SEK M	2021	2020
<b>Net profit, Group</b>	<b>3,716</b>	<b>2,711</b>
<b>Other comprehensive income</b>		
<b>Items that will not be reclassified to the income statement</b>		
Reassessment of net pension obligation	66	-51
Income tax relating to components of other comprehensive income	-10	6
<b>Total</b>	<b>56</b>	<b>-45</b>
<b>Items that may be reclassified to the income statement</b>		
Cash-flow hedging <sup>3</sup>	121	-49
Hedging of net investment	-303	579
Translation differences	1,758	-3,007
Income tax relating to components of other comprehensive income	52	-97
<b>Total</b>	<b>1,628</b>	<b>-2,574</b>
<b>Other comprehensive income, net of tax</b>	<b>1,684</b>	<b>-2,619</b>
<b>Total comprehensive income</b>	<b>5,400</b>	<b>92</b>
<i>Total comprehensive income attributable to:</i>		
Shareholders of the Parent Company	5,401	93
Non-controlling interests	-1	-1

<sup>3</sup> See also Note 29.

## NET SALES PER GEOGRAPHIC MARKET

SEK M	2021		2020	
	Net sales	Share of total sales, %	Net sales	Share of total sales, %
Europe	18,780	55	16,895	56
North America	7,637	23	7,280	24
South and Central America	1,350	4	972	3
Asia and Other markets	6,097	18	5,111	17
<b>Continuing operations</b>	<b>33,864</b>	<b>100</b>	<b>30,258</b>	<b>100</b>

## ORGANIC GROWTH

	Organic growth 2021, %	Organic growth 2020, %
Europe	14	-9
North America	12	-15
South and Central America	48	-3
Asia and Rest of the World	22	-1
<b>Continuing operations</b>	<b>16</b>	<b>-9</b>

## EBITA and EBIT

EBITA, excluding items affecting comparability, increased compared with the preceding year and amounted to SEK 5,507 M (4,460). The EBITA margin was 16.3 percent (14.7). Amortization and impairment of intangible assets, excluding items affecting comparability, amounted to an expense of SEK 356 M (expense: 365).

Consolidated EBIT, excluding items affecting comparability, amounted to SEK 5,151 M (4,095), up 26 percent. All business areas reported a positive development compared with 2020. Trelleborg Industrial Solutions increased its EBIT by 25 percent, Trelleborg Sealing Solutions by 34 percent and Trelleborg Wheel Systems by 16 percent. Earnings for Group activities were burdened by higher costs linked to increased M&A activities and higher personnel costs. Acquisitions finalized made a positive contribution to the Group's earnings generation. The efficiency enhancement efforts that have been ongoing for many years via the Group's Excellence programs in manufacturing, purchasing, personnel, logistics, 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 2020 to the exchange rate applying in 2021 – amounted to negative SEK 168 M, with the largest impact from the translation of subsidiaries with financial statements in LKR, USD, and EUR.

The EBIT margin, excluding items affecting comparability, amounted to 15.2 percent (13.5).

## EBIT SPECIFICATION

SEK M	2021	2020
<i>Excluding items affecting comparability:</i>		
EBITDA	6,864	5,882
Depreciation/impairment of tangible assets	-1,357	-1,422
EBITA	5,507	4,460
Amortization/impairment of intangible assets	-356	-365
EBIT	5,151	4,095
Items affecting comparability	-136	-318
<b>EBIT, continuing operations</b>	<b>5,015</b>	<b>3,777</b>

## EBIT, EXCLUDING ITEMS AFFECTING COMPARABILITY

SEK M	2021	2020
Trelleborg Industrial Solutions	1,373	1,097
Trelleborg Sealing Solutions	2,865	2,137
Trelleborg Wheel Systems	1,214	1,050
Group activities	-301	-189
<b>Continuing operations</b>	<b>5,151</b>	<b>4,095</b>

EBIT and the EBIT margin for the Trelleborg Industrial Solutions business area increased compared with the preceding year, and both EBIT and the margin reached the highest ever levels for a full year. Effective cost control and active price adjustments for customers offset rising prices for input goods during most of the year. The EBIT margin was 12.4 percent (10.6). Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 37 M on EBIT compared with the preceding year.

For the Trelleborg Sealing Solutions business area, EBIT and the EBIT margin increased, mainly due to higher volumes to most market segments. EBIT reached its highest ever level for a full year. The effect of rising purchasing prices for energy and input goods was limited by strict cost control and efficiency improvements. The EBIT margin was 23.0 percent (19.6). Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 85 M on EBIT compared with the preceding year.

For the Trelleborg Wheel Systems business area, EBIT increased as a result of higher sales volumes. Previous investments made in capacity commissioned during the year supported the earnings improvement. The EBIT margin of 12.0 percent (12.0) was unchanged, since the result of higher sales volumes was primarily counteracted by significantly higher costs for raw materials and energy, as well as a negative sales channel mix. Exchange rate effects from the translation of foreign subsidiaries had a negative impact of SEK 60 M on EBIT compared with the preceding year.

## Items affecting comparability

Items affecting comparability amounted to negative SEK 136 M (neg: 318) and pertained to restructuring costs of negative SEK 313 M (neg: 318) and the capital gain on the sale of properties of SEK 177 M (-). The largest restructuring projects in 2021 related primarily to the action program that was launched to address an anticipated slowdown in demand in parts of the Group's oil & gas operations, a project initiated in 2020 to offset the impact of the ongoing pandemic and an earlier project launched in a previous year to optimize tire production capacity in the Czech Republic. EBIT for continuing operations, including items affecting comparability, amounted to SEK 5,015 M (3,777).

## Financial income and expenses, taxes

Financial income and expenses amounted to a net expense of SEK 176 M (expense: 266). The lower financial expenses are due primarily to reduced net debt in 2021 compared with the preceding year. Net interest income in relation to net debt for the Group amounted to 2.1 percent (2.2). Net profit was SEK 3,666 M (2,657). The tax rate for the period amounted to 24 percent (24). Earnings per share for continuing operations, excluding items affecting comparability, totaled SEK 13.95 (10.44).

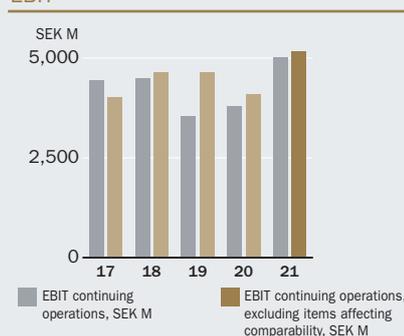
## DISCONTINUING OPERATIONS

Trelleborg's Businesses Under Development reporting segment was discontinued during the first quarter of 2021, since its operations have been largely divested or were intended to be divested during the year.

The various parts of the reporting segment were recognized as of the interim report for the first quarter of 2021 as Assets held for sale within Trelleborg Industrial Solutions or in the Group activities item.

For the parts classified as Assets held for sale, three divestments were carried out during the year. The divestments are part of Trelleborg's strategy to focus on selected market segments. The total earnings effect of the divestments had no material impact on the Group's net profit.

## EBIT



**UK offshore oil & gas operation.** During the first quarter of 2021, the Group divested its offshore operation in Skelmersdale in the UK. The operation reported annual sales of approximately SEK 580 m in 2020 and was deconsolidated on March 1, 2021.

**Norwegian offshore oil & gas operation.** During the second quarter of 2021, the Group divested its oil & gas operation in Norway. The operation reported annual sales of approximately SEK 310 m in 2020 and was deconsolidated on June 1, 2021.

**Czech operation in technical rubber products.** During the third quarter of 2021, the Group divested its Czech operation in technical rubber products. The company's main business is located in Nachod in the Czech Republic. The operation reported annual sales of approximately SEK 560 m in 2020 and was deconsolidated on October 1, 2021.

**Group's printing blanket operation.** In addition to the divestments referred to above, an agreement was signed in the fourth quarter of 2021 to divest the Group's printing blanket operation. Completion of the transaction is subject to the approval of the relevant authorities. The operation reported annual sales of approximately SEK 1,200 m with an operating margin in line with the Trelleborg Group in 2020. The divestment is expected to be finalized during the first half of 2022.

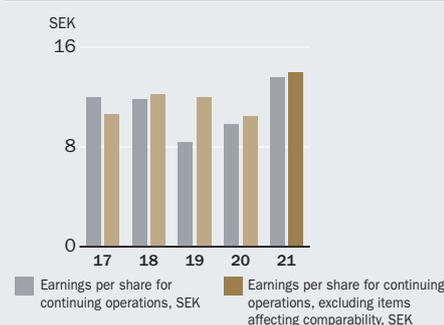
Net profit for discontinuing operations amounted to SEK 50 m (54).

Refer also to Note 1 and Note 25 for further details concerning discontinuing operations.

## GROUP

Net profit for the Group totaled SEK 3,716 m (2,711). Earnings per share were SEK 13.71 (10.00).

## EARNINGS PER SHARE



## KEY FIGURES PER QUARTER

### NET SALES

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2021	2020	2021	2020	2021	2020	2021	2020
Trelleborg Industrial Solutions	2,616	2,748	2,866	2,461	2,732	2,505	2,857	2,621
Trelleborg Sealing Solutions	3,133	3,209	3,155	2,498	3,086	2,512	3,106	2,673
Trelleborg Wheel Systems	2,397	2,459	2,557	2,046	2,369	2,075	2,753	2,185
Group activities	120	112	132	45	105	93	107	155
Elimination	-47	-46	-73	-19	-52	-33	-55	-41
<b>Continuing operations</b>	<b>8,219</b>	<b>8,482</b>	<b>8,637</b>	<b>7,031</b>	<b>8,240</b>	<b>7,152</b>	<b>8,768</b>	<b>7,593</b>

### EBIT, EXCLUDING ITEMS AFFECTING COMPARABILITY

SEK M	Jan-Mar		Apr-Jun		Jul-Sep		Oct-Dec	
	2021	2020	2021	2020	2021	2020	2021	2020
Trelleborg Industrial Solutions	315	217	368	215	326	274	364	391
Trelleborg Sealing Solutions	734	706	755	465	720	454	656	512
Trelleborg Wheel Systems	359	297	342	256	238	272	275	225
Group activities	-58	-47	-78	-58	-81	-35	-84	-49
<b>Continuing operations</b>	<b>1,350</b>	<b>1,173</b>	<b>1,387</b>	<b>878</b>	<b>1,203</b>	<b>965</b>	<b>1,211</b>	<b>1,079</b>

# COMMENTS ON THE CONSOLIDATED BALANCE SHEETS

## CAPITAL EMPLOYED

SEK M	2021
<b>Opening balance, capital employed</b>	<b>37,868</b>
Change in working capital	795
Net change in non-current assets	-285
Change in participations in joint ventures/associated companies	30
Structural changes	597
Exchange rate effects upon translation of foreign subsidiaries	1,903
<b>Change in capital employed, 2021</b>	<b>3,040</b>
<b>Closing balance, capital employed, continuing operations</b>	<b>40,908</b>

The Group's total capital employed for continuing operations was SEK 40,908 m (37,868), representing an increase of SEK 3,040 m.

The change in working capital during the year, excluding acquisitions and exchange rate effects, was SEK 795 m.

The net change related to the year's investments, depreciation, amortization, and impairment of tangible assets and intangible assets, including right-of-use assets, amounted to negative SEK 285 m, excluding exchange rate effects.

Participations in associated companies increased by SEK 30 m.

Structural changes due to the effects of units acquired during the year increased capital employed by SEK 597 m.

Exchange rate effects increased total capital employed by SEK 1,903 m net during the year.

## SPECIFICATION OF CAPITAL EMPLOYED

SEK M	2021	2020
Total assets in the Group	55,640	53,764
Less:		
Interest-bearing receivables	257	275
Cash and cash equivalents	3,460	5,756
Tax assets	1,607	1,626
Operating liabilities	8,070	6,408
<b>Capital employed</b>	<b>42,246</b>	<b>39,699</b>
Discontinuing operations	1,338	1,831
<b>Continuing operations</b>	<b>40,908</b>	<b>37,868</b>

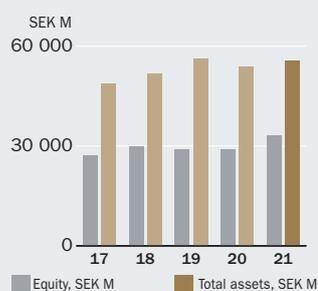
Discontinuing operations for 2021 relate to the Group's printing blanket operation. An agreement was signed during the fourth quarter of 2021 to divest the operation, but completion of the transaction is subject to the approval of the relevant authorities. The divestment is expected to be finalized during the first half of 2022. Discontinuing operations for 2020 relate to both the Group's printing blanket operation and the operations divested in 2021, refer also to pages 72–73.

## RETURN ON CAPITAL EMPLOYED, %

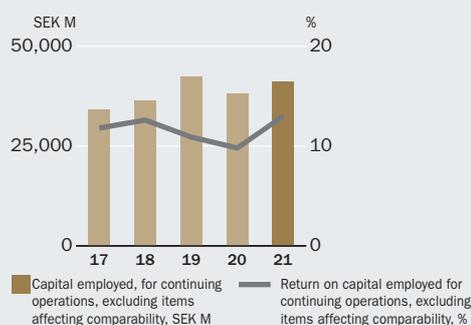
	2021	2020
Excluding items affecting comparability	13.0	9.8
Including items affecting comparability	12.7	9.1

The return on capital employed for continuing operations, excluding items affecting comparability, was 13.0 percent (9.8).

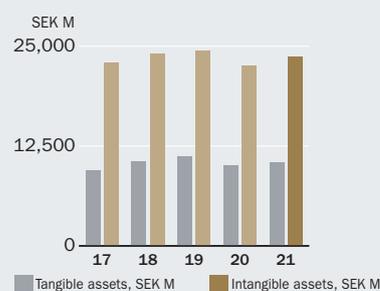
## CAPITAL STRUCTURE



## CAPITAL EMPLOYED AND RETURN ON CAPITAL EMPLOYED



## TANGIBLE<sup>1</sup> AND INTANGIBLE ASSETS



<sup>1</sup> Excluding right-of-use assets.

## CONSOLIDATED BALANCE SHEETS

December 31, SEK M	Note	2021	2020
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant, and equipment	15, 16	11,864	11,928
Goodwill	17	18,792	17,867
Other intangible assets	17	4,390	4,675
Participations in associated companies	12	60	104
Financial non-current assets	13, 22, 27, 32	42	62
Deferred tax assets	9	594	742
<b>Total non-current assets</b>		<b>35,742</b>	<b>35,378</b>
<i>Current assets</i>			
Inventories	18	6,395	5,263
Current operating receivables	19, 20, 22	7,093	6,250
Current tax assets		1,013	884
Interest-bearing receivables	28	114	233
Cash and cash equivalents	26	3,460	5,756
<b>Total current assets</b>		<b>18,075</b>	<b>18,386</b>
Assets held for sale	25	1,823	–
<b>TOTAL ASSETS</b>		<b>55,640</b>	<b>53,764</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
Share capital	29	2,620	2,620
Other capital contributions		226	226
Other reserves		2,011	382
Profit brought forward		24,416	23,005
Net profit for the year		3,717	2,712
<b>Total</b>		<b>32,990</b>	<b>28,945</b>
Non-controlling interests		8	8
<b>Total equity</b>		<b>32,998</b>	<b>28,953</b>
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	30	9,666	10,718
Other non-current liabilities	22, 23	202	272
Pension obligations	11	525	619
Other provisions	24	152	149
Deferred tax liabilities	9	926	899
<b>Total non-current liabilities</b>		<b>11,471</b>	<b>12,657</b>
<i>Current liabilities</i>			
Interest-bearing current liabilities	30	1,738	4,706
Current tax liability		1,309	1,138
Other current liabilities	21, 22, 23	7,162	5,987
Other provisions	24	380	323
<b>Total current liabilities</b>		<b>10,589</b>	<b>12,154</b>
Liabilities held for sale	25	582	–
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>55,640</b>	<b>53,764</b>

## TRELLEBORG GROUP, CHANGE IN TOTAL EQUITY

Equity	Attributable to shareholders of the Parent Company								Non-controlling interests		Total	
	Share capital		Other capital contributions		Other reserves		Profit brought forward		2021	2020	2021	2020
	2021	2020	2021	2020	2021	2020	2021	2020				
SEK M												
Opening balance, January 1	2,620	2,620	226	226	382	2,955	25,717	23,050	8	10	28,953	28,861
Net profit/loss for the year							3,717	2,712	–1	–1	3,716	2,711
Other comprehensive income					1,629	–2,573	54	–45	1	–1	1,684	–2,619
Dividend							–1,355	–	–	–	–1,355	–
<b>Closing balance, December 31</b>	<b>2,620</b>	<b>2,620</b>	<b>226</b>	<b>226</b>	<b>2,011</b>	<b>382</b>	<b>28,133</b>	<b>25,717</b>	<b>8</b>	<b>8</b>	<b>32,998</b>	<b>28,953</b>

For other reserves, refer to Note 29.

NET DEBT, GROUP <sup>1</sup>

SEK M	2021	2020
Non-current interest-bearing investments and receivables	0	12
Current interest-bearing receivables	114	233
Cash and cash equivalents	3,497	5,756
<b>Total interest-bearing assets</b>	<b>3,611</b>	<b>6,001</b>
Interest-bearing non-current liabilities	-9,685	-10,718
Pension obligations	-548	-603
Interest-bearing current liabilities	-1,745	-4,706
<b>Total interest-bearing liabilities</b>	<b>-11,978</b>	<b>-16,027</b>
<b>Net debt</b>	<b>-8,367</b>	<b>-10,026</b>
<i>Change in net debt:</i>		
<b>Net debt at January 1</b>	<b>-10,026</b>	<b>-14,914</b>
Operating cash flow, Group	4,569	5,332
Cash-flow effect of items affecting comparability	-98	-325
Financial items	-199	-319
Tax paid	-962	-772
<b>Free cash flow</b>	<b>3,310</b>	<b>3,916</b>
Acquisitions	-573	3
Divested operations	616	147
Capital contribution to associated companies	-29	-
Dividend paid – shareholders of the Parent Company	-1,355	-
<b>Net cash flow</b>	<b>1,969</b>	<b>4,066</b>
Exchange rate differences	-446	732
Lease liability <sup>2</sup>	70	141
Pension liability <sup>2</sup>	66	-51
<b>Net debt at year end</b>	<b>-8,367</b>	<b>-10,026</b>
Of which:		
Pension liability	-548	-603
Lease liability	-2,102	-2,049
Net debt excluding impact of lease and pension liability	-5,717	-7,374
<b>Debt/equity ratio, %</b>		
Group	25	35
<b>Net debt/EBITDA <sup>3</sup></b>		
Group	1.2	1.7
<i>Group</i>		
EBITDA/net interest income, multiples	29.6	17.6
Return on shareholders' equity, %	12.0	9.4

<sup>1</sup> Net debt relates to the Group, including both continuing operations and Assets and Liabilities held for sale.

<sup>2</sup> Relates to non-cash items.

<sup>3</sup> EBITDA, including items affecting comparability.

Net debt and financing

Net debt at the beginning of 2021 amounted to SEK 10,026 M.

Net debt at the end of the year was impacted by the year's net cash flow of SEK 1,969 M, negative exchange rate differences of SEK 446 M and non-cash adjustments of lease and pension liabilities totaling SEK 136 M. Net debt at year-end for the Group amounted to SEK 8,367 M. Excluding the impact of lease liabilities and pension liabilities, net debt amounted to SEK 5,717 M (7,374).

The debt/equity ratio at the end of the period was 25 percent (35). Net debt in relation to EBITDA was 1.2 (1.7) at the end of the period.

Trelleborg's credit facilities

Trelleborg's core EUR 412 M and USD 572 M syndicated multicurrency revolving credit facility matures in February 2026.

On account of Trelleborg's significant presence in the Czech Republic, there is also a syndicated facility of czk 6,750 M. This facility matures in 2024.

In 2021, Trelleborg issued a green bond of SEK 1,000 M (tenor 5.5 years) in the Swedish market under its Green Framework, which is linked to Trelleborg's Medium Term Note Program.

Equity

Total shareholders' equity, excluding non-controlling interests, amounted to SEK 32,990 M (28,945) at year-end. The net result for the year impacted shareholders' equity in an amount of SEK 3,717 M (2,712). Effects of translation differences, cash-flow hedging, and the hedging of net investments increased total equity by a net amount of SEK 1,627 M (decrease: 2,573) after tax. Effects of the restatement of the net pension obligation under IAS 19 Employee Benefits was income of SEK 56 M after tax (expense: 45).

The dividend for the year to shareholders amounted to SEK 1,355 M (-).

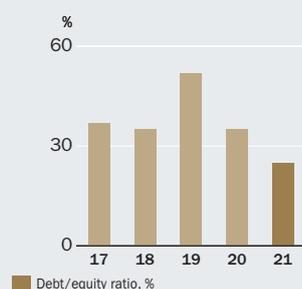
Equity per share amounted to SEK 122 (107). The equity/assets ratio was 59 percent (54). The return on shareholders' equity for the Group, excluding items affecting comparability, totaled 12.5 percent (10.2). The return on shareholders' equity for the Group, including items affecting comparability, amounted to 12.0 percent (9.4).

Non-controlling interests amounted to SEK 8 M (8).

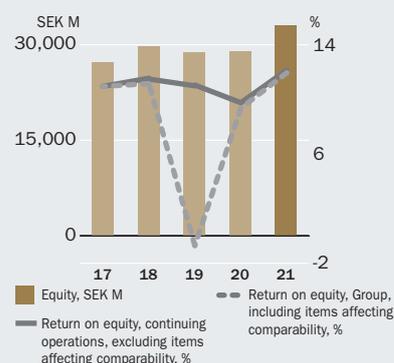
NET DEBT <sup>4</sup>



DEBT/EQUITY RATIO <sup>4</sup>



EQUITY AND RETURN ON SHAREHOLDERS' EQUITY



<sup>4</sup> As of 2019, lease liabilities are included in net debt.

# COMMENTS ON THE CONSOLIDATED CASH-FLOW STATEMENTS

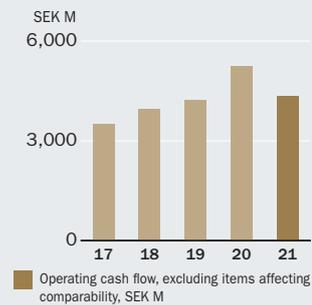
**Operating cash flow** for continuing operations amounted to SEK 4,347 M (5,227) during the year. Cash flow was positively affected by the higher earnings generation. A higher sales rate compared with 2020 increased working capital with a negative impact on cash flow of SEK 883 M (pos: 736). The level of investment increased 26 percent compared with the preceding year and amounted to SEK 1,399 M (1,113), comprising 4.1 percent (3.7) of sales. The cash conversion ratio for the most recent 12-month period amounted to 84 percent (128).

Operating cash flow from discontinuing operations amounted to SEK 222 M (105). During the year, payments related to items affecting comparability

amounted to an outflow of SEK 98 M (outflow: 325). After deductions for financial items, outflow of SEK 199 M (outflow: 319), and taxes paid of SEK 962 M (outflow: 772), free cash flow amounted to SEK 3,310 M (3,916), corresponding to SEK 12.21 per share (14.45).

In 2021, four acquisitions took place that impacted net cash flow for the year by negative SEK 573 M (pos: 3). The effects of the year's divestments amounted to SEK 616 M (147). A capital contribution to an associated company of SEK 29 M (-) was paid. The dividend to shareholders amounted to SEK 1,355 M (-). Net cash flow amounted to SEK 1,969 M (4,066).

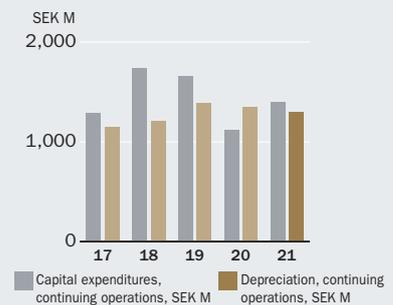
## OPERATING CASH FLOW



## CASH FLOW PER SHARE



## CAPITAL EXPENDITURES<sup>1</sup> AND DEPRECIATION



<sup>1</sup> Excluding right-of-use assets.

## CASH-FLOW REPORT

SEK M	EBITDA		Gross capital expenditures		Sold non-current assets		Amortization of lease liability		Change in working capital		Dividend from associated companies		Other non-cash items		Total cash flow	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Trelleborg Industrial Solutions	1,914	1,675	-372	-248	2	10	-109	-110	-97	141	-	-	37	25	1,375	1,493
Trelleborg Sealing Solutions	3,495	2,810	-637	-416	5	5	-182	-180	-402	312	1	1	39	47	2,319	2,579
Trelleborg Wheel Systems	1,722	1,545	-354	-410	80	12	-98	-93	-332	291	-	-	31	27	1,049	1,372
Group activities	-267	-148	-36	-39	107	123	-12	-17	-52	-8	-	-	-136	-128	-396	-217
<b>Continuing operations</b>	<b>6,864</b>	<b>5,882</b>	<b>-1,399</b>	<b>-1,113</b>	<b>194</b>	<b>150</b>	<b>-401</b>	<b>-400</b>	<b>-883</b>	<b>736</b>	<b>1</b>	<b>1</b>	<b>-29</b>	<b>-29</b>	<b>4,347</b>	<b>5,227</b>
Discontinuing operations	181	282	-71	-107	20	10	-11	-16	65	-58	-	-	38	-6	222	105
<b>Group</b>	<b>7,045</b>	<b>6,164</b>	<b>-1,470</b>	<b>-1,220</b>	<b>214</b>	<b>160</b>	<b>-412</b>	<b>-416</b>	<b>-818</b>	<b>678</b>	<b>1</b>	<b>1</b>	<b>9</b>	<b>-35</b>	<b>4,569</b>	<b>5,332</b>
Cash-flow effect of items affecting comparability															-98	-325
Financial items															-199	-319
Tax paid															-962	-772
<b>Free cash flow</b>															<b>3,310</b>	<b>3,916</b>
Acquisitions															-573	3
Divested operations															616	147
Capital contributions															-29	-
Dividend paid – shareholders of the Parent Company															-1,355	-
<b>Total net cash flow</b>															<b>1,969</b>	<b>4,066</b>

## CHANGE IN LIABILITIES FROM FINANCING ACTIVITIES, GROUP

SEK M	2020	Transfer between long-term and short-term loans	Cash changes	Non-cash changes					2021
				Acquisitions	Translation differences	Fair value changes	Lease liabilities	Pension obligations	
Long-term loans	9,015	-1,251	-57	-	257	-	-	-	7,964
Current loans	4,128	1,251	-4,294	-	13	-	-	-	1,098
Other non-current financial liabilities	23	-	-21	-	0	-	-	-	2
Other current financial liabilities	209	-	-150	-	205	-	-	-	264
Lease liabilities	2,049	-	-398	-	107	-	344	-	2,102
Pension obligations	618	-	-8	-	5	-	-	-66	549
<b>Total liabilities from financing activities</b>	<b>16,042</b>	<b>-</b>	<b>-4,928</b>	<b>-</b>	<b>587</b>	<b>-</b>	<b>344</b>	<b>-66</b>	<b>11,979</b>

## CONSOLIDATED CASH-FLOW STATEMENTS

SEK M	Note	2021	2020
<b>Operating activities</b>			
EBIT including participations in associated companies		5,015	3,777
Adjustment for items not included in operating cash flow:			
Depreciation of property, plant, and equipment	15, 16	1,350	1,404
Amortization of intangible assets	17	355	365
Impairment of property, plant, and equipment	15, 16	53	57
Impairment of intangible assets	17	15	1
Dividend from associated companies		1	1
Participations in associated companies and other non-cash items		-25	-6
Interest received and other financial items		122	68
Interest paid and other financial items		-297	-363
Tax paid		-978	-787
<b>Cash flow from operating activities before changes in working capital</b>		<b>5,611</b>	<b>4,517</b>
<b>Cash flow from changes in working capital</b>			
Change in inventories		-1,315	467
Change in operating receivables		-1,008	-149
Change in operating liabilities		1,511	436
<b>Cash flow from operating activities</b>		<b>4,799</b>	<b>5,271</b>
<b>Investing activities</b>			
Acquired units	14	-573	3
Divested/discontinuing operations		-	27
Capital contribution to associated companies		-29	-
Gross capital expenditures for property, plant, and equipment	15	-1,290	-1,003
Gross capital expenditures for intangible assets	17	-109	-110
Sale of non-current assets		194	150
<b>Cash flow from investing activities</b>		<b>-1,807</b>	<b>-933</b>
<b>Financing activities</b>			
Change in interest-bearing investments		144	31
Change in interest-bearing liabilities		-1,674	-542
New/utilized loans		1,000	3,120
Amortized loans		-5,351	-3,737
Dividend paid – shareholders of the Parent Company		-1,355	-
<b>Cash flow from financing activities</b>	30	<b>-7,236</b>	<b>-1,128</b>
<b>Total cash flow from continuing operations</b>		<b>-4,244</b>	<b>3,210</b>
<b>Total cash flow from discontinuing operations</b>	25	<b>1,844</b>	<b>91</b>
<b>Cash flow for the period, Group</b>		<b>-2,400</b>	<b>3,301</b>
<b>Cash and cash equivalents</b>			
Opening balance, January 1		5,756	2,694
Cash and cash equivalents held for sale	25	-36	-
Exchange rate differences		140	-239
<b>Cash and cash equivalents, December 31</b>	26	<b>3,460</b>	<b>5,756</b>

## Definitions of performance measures

Trelleborg uses a number of 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. For further descriptions and calculations of performance measures, visit [www.trelleborg.com/en/investors/financial-definitions](http://www.trelleborg.com/en/investors/financial-definitions).

## 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, 2022.

#### 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.

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, joint ventures, and 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 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.

#### 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 IFRS standards applied from January 1, 2021

The following standards and amendments are new for the fiscal year beginning on January 1, 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16: Interest rate benchmark reform – Phase 2

Amendments on account of the Interest Rate Benchmark Reform – Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16) may impact financial assets, financial liabilities and lease liabilities, and certain hedge accounting requirements and disclosure requirements in IFRS 7 to follow the amendments in modifications and hedge accounting.

The Group has set up a project to analyze, transition, and implement new interest rate benchmarks. Trelleborg is exposed to interbank offered rates (IBORs) in its borrowings with associated interest rate swaps at fixed rates. The benchmark interest rates affected are primarily EURIBOR, LIBOR, and STIBOR. In 2021, measures were taken to manage discontinuity of GBP LIBOR from December 31, 2021. These measures did not have any significant impact on the financial statements. Approximately 88 percent of the Group's borrowing, excluding loan payables and derivatives, are at variable interest rates, of which about 52 percent is swapped at fixed rates. The Group has fallback clauses in most agreements.

Other amended and new IFRS standards that took effect in 2021 did not have any material impact on the Group's reporting.

#### 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. These amended standards or interpretations are not expected to have any material impact on the Group's or Parent Company's financial statements.

## 1 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.

Climate change is a challenge that entails risks for the entire global community, including its companies, people, and surrounding environment. Trelleborg is playing an active risk-prevention role by supplying products and solutions that reduce energy consumption and emissions for customers and society at large, and through its systematic work to limit climate risks directly associated with its own operations and its value chain.

On this basis, it is our opinion that climate change does not constitute any material source of uncertainty in our estimates and judgments.

Trelleborg's sustainability strategy – Protecting the essential – with a focus on climate targets and vision, is described on pages 24–25. Climate risks, including transition risks and physical risks, as well as descriptions of various climate scenarios, can be found on pages 127–129.

During the first quarter of 2021, the Group announced that the former *Businesses Under Development* reporting segment was to be discontinued, since its operations had been largely divested or were intended to be divested during 2021.

The Group has subsequently classified this operation under discontinuing operations. Accordingly, figures for 2021 relating to income statement items are presented as continuing and discontinuing operations. The 2020 comparative period has been adjusted in the corresponding manner.

For closing balances in 2021, assets and liabilities held for sale have been reclassified to a separate line in the consolidated balance sheet.

Refer also to Note 25 and pages 20–21 for further information.

## 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 primarily 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 are made at Group level to reporting in accordance with IFRS.
- 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 are 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.
- The Parent Company does not apply IFRS 9 Financial Instruments: Recognition and Measurement. The Parent Company applies a method based on cost in accordance with the Annual Accounts Act.
- The Parent Company applies the exception from application of IFRS 16 Leases. Lease costs are charged to profit and do not impact the balance sheet.

## 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.

Trelleborg's organization comprises three business areas:

- **Trelleborg Industrial Solutions** is a leading supplier of polymer-based critical solutions in selected industrial application areas and infrastructure projects.
- **Trelleborg Sealing Solutions** is a leading global supplier of polymer-based critical sealing solutions and components deployed in general industry, automotive and aerospace.
- **Trelleborg Wheel Systems** is a leading global supplier of tires and complete wheels for off-highway vehicles and specialty applications.

In addition, other operations are gathered under the name Group activities.

For a more detailed description of the Group's operating segments, refer to pages 28–35.

Trelleborg's *Businesses Under Development* reporting segment was discontinued during the first quarter of 2021, since its operations have been largely divested or were intended to be divested during the year. The various parts of the reporting segment were reported as of the interim report for the first quarter of 2021 as Assets held for sale within Trelleborg Industrial Solutions or in the Group activities item.

The part that has been divested or will be divested is classified in this report as discontinuing operations. Accordingly, figures for 2021 relating to income statement items are presented as continuing and discontinuing operations. The 2020 comparative period has been adjusted in the corresponding manner.

For closing balances in 2021, assets and liabilities held for sale have been reclassified to a separate line in the consolidated balance sheet.

Refer also to Note 25 and pages 20–21 for further information.

Royalty revenue is presented in Note 6, since it is not included in normal operations, but is instead classified as Other operating income.

In the presentation of the Group's geographical markets, the operations have been subdivided into Europe, North America, South and Central America, and Asia and Other markets. Net sales are recognized according to customer location, while capital employed and capital expenditures are recognized according to where the subsidiaries are physically located.

#### 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, and inventories and operating receivables, less operating 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.

## Net sales and EBIT by operating segment

SEK M	2021						2020					
	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 Industrial Solutions	10,862	209	11,071	1,164	-209	-	10,190	145	10,335	977	-120	-
Trelleborg Sealing Solutions	12,463	17	12,480	2,820	-45	0	10,884	8	10,892	2,020	-117	1
Trelleborg Wheel Systems	10,075	1	10,076	1,161	-53	3	8,763	2	8,765	992	-58	-3
Group activities	464	-	464	-130	171	-	421	-16	405	-212	-23	0
Elimination	-	-227	-227	-	-	-	-	-139	-139	-	-	-
<b>Total</b>	<b>33,864</b>		<b>33,864</b>	<b>5,015</b>	<b>-136</b>	<b>3</b>	<b>30,258</b>		<b>30,258</b>	<b>3,777</b>	<b>-318</b>	<b>-2</b>
Financial income				122						156		
Financial expenses				-298						-422		
Income tax				-1,173						-854		
<b>Net profit, continuing operations</b>				<b>3,666</b>						<b>2,657</b>		
Net profit, discontinuing operations				50						54		
<b>Net profit, Group</b>				<b>3,716</b>						<b>2,711</b>		

## Allocation of revenue, net sales

SEK M	2021					Total net sales	Revenue recognition:		
	Europe	North America	South and Central America	Asia & Other markets	Over time		Point in time	Total net sales	
Trelleborg Industrial Solutions	5,806	2,458	331	2,267	10,862	922	9,940	10,862	
Trelleborg Sealing Solutions	5,854	3,427	329	2,853	12,463	33	12,430	12,463	
Trelleborg Wheel Systems	6,721	1,718	673	963	10,075	-	10,075	10,075	
Group activities	399	34	17	14	464	-	464	464	
<b>Total</b>	<b>18,780</b>	<b>7,637</b>	<b>1,350</b>	<b>6,097</b>	<b>33,864</b>	<b>955</b>	<b>32,909</b>	<b>33,864</b>	

SEK M	2020					Total net sales	Revenue recognition:		
	Europe	North America	South and Central America	Asia & Other markets	Over time		Point in time	Total net sales	
Trelleborg Industrial Solutions	5,288	2,441	352	2,109	10,190	1,112	9,078	10,190	
Trelleborg Sealing Solutions	5,185	3,261	256	2,182	10,884	27	10,857	10,884	
Trelleborg Wheel Systems	6,073	1,541	339	810	8,763	-	8,763	8,763	
Group activities	349	37	25	10	421	-	421	421	
<b>Total</b>	<b>16,895</b>	<b>7,280</b>	<b>972</b>	<b>5,111</b>	<b>30,258</b>	<b>1,139</b>	<b>29,119</b>	<b>30,258</b>	

## Breakdown by operating segment

SEK M	2021						2020					
	Capital employed	Of which participations in associated companies	Capital expenditures <sup>1</sup>	Depreciation/amortization <sup>2</sup>	Impairment losses <sup>3</sup>	Operating cash flow <sup>4</sup>	Capital employed	Of which participations in associated companies	Capital expenditures <sup>1</sup>	Depreciation/amortization <sup>2</sup>	Impairment losses <sup>3</sup>	Operating cash flow <sup>4</sup>
Trelleborg Industrial Solutions	11,140	–	372	538	61	1,375	10,328	–	248	570	8	1,493
Trelleborg Sealing Solutions	15,102	9	637	629	6	2,319	13,470	10	416	670	46	2,579
Trelleborg Wheel Systems	14,374	51	354	500	9	1,049	13,650	20	410	493	2	1,372
Group activities	498	–	36	38	–5	–396	558	–	39	36	5	–217
Provisions for items affecting comparability	–206						–138					
<b>Continuing operations</b>	<b>40,908</b>	<b>60</b>	<b>1,399</b>	<b>1,705</b>	<b>71</b>	<b>4,347</b>	<b>37,868</b>	<b>30</b>	<b>1,113</b>	<b>1,769</b>	<b>61</b>	<b>5,227</b>
Discontinuing operations	1,339	39	71	69	–41	222	1,887	74	107	98	5	105
Provisions for items affecting comparability	–1						–56					
<b>Group</b>	<b>42,246</b>	<b>99</b>	<b>1,470</b>	<b>1,774</b>	<b>30</b>	<b>4,569</b>	<b>39,699</b>	<b>104</b>	<b>1,220</b>	<b>1,867</b>	<b>66</b>	<b>5,332</b>

<sup>1</sup> Relates to investments in property, plant, and equipment and intangible assets, excluding investments in right-of-use assets of SEK 291 M (317).

<sup>2</sup> Including depreciation of right-of-use assets of SEK 419 M (439).

<sup>3</sup> Including reversed impairment losses.

<sup>4</sup> Operating cash flow relates to the Group's operations excluding items affecting comparability.

## Net sales

## By geographic market/country

SEK M	2021	2020
Germany	5,165	4,715
France	2,129	1,889
UK	1,543	1,453
Italy	1,527	1,291
Sweden	1,085	922
Netherlands	784	598
Spain	694	603
Poland	624	546
Russia	542	428
Switzerland	539	486
Belgium	505	426
Czech Republic	502	500
Austria	478	418
Finland	460	411
Norway	315	336
Turkey	303	273
Hungary	241	213
Denmark	195	201
Romania	132	121
Slovenia	127	117
Slovakia	117	110
Rest of Europe	773	837
<b>Total Europe</b>	<b>18,780</b>	<b>16,895</b>
US	7,085	6,757
Canada	552	523
<b>Total North America</b>	<b>7,637</b>	<b>7,280</b>
Brazil	626	374
Mexico	417	358
Other South and Central America	307	240
<b>Total South and Central America</b>	<b>1,350</b>	<b>972</b>
China	2,573	2,001
Australia	641	568
South Korea	422	390
India	418	343
Japan	405	384
Other markets	1,638	1,425
<b>Total Asia and Other markets</b>	<b>6,097</b>	<b>5,111</b>
<b>Continuing operations</b>	<b>33,864</b>	<b>30,258</b>

## Trends in key currencies against the SEK were as follows:

	2021		2020	
	Average rate	Closing rate	Average rate	Closing rate
EUR	10.1445	10.2269	10.4888	10.0375
USD	8.5797	9.0437	9.2097	8.1886
GBP	11.8012	12.179	11.8034	11.0873
CZK	0.3955	0.4105	0.3966	0.3831

## Distribution by geographic market

SEK M	Capital employed		Capital expenditures <sup>5</sup>	
	2021	2020	2021	2020
Czech Republic	7,542	7,772	109	300
Germany	2,938	2,709	304	175
UK	2,814	2,570	55	55
Italy	1,426	1,261	101	65
Slovenia	1,351	1,340	52	27
France	1,205	1,102	45	37
Sweden	1,087	1,037	79	37
Switzerland	784	726	30	20
Malta	472	466	31	18
Serbia	423	391	46	18
Turkey	238	277	21	11
Poland	206	182	30	16
Rest of Europe	5,845	5,365	69	48
<b>Total Europe</b>	<b>26,331</b>	<b>25,198</b>	<b>972</b>	<b>827</b>
US	10,533	9,406	170	151
Canada	76	65	–	–
<b>Total North America</b>	<b>10,609</b>	<b>9,471</b>	<b>170</b>	<b>151</b>
Brazil	408	356	6	7
Mexico	133	110	3	2
Other South and Central America	5	3	–	–
<b>Total South and Central America</b>	<b>546</b>	<b>469</b>	<b>9</b>	<b>9</b>
China	1,630	1,224	151	60
Australia	670	575	8	11
Sri Lanka	347	266	51	22
Japan	189	180	1	1
India	264	202	22	11
Other markets	322	283	15	21
<b>Total Asia and Other markets</b>	<b>3,422</b>	<b>2,730</b>	<b>248</b>	<b>126</b>
<b>Continuing operations</b>	<b>40,908</b>	<b>37,868</b>	<b>1,399</b>	<b>1,113</b>
Discontinuing operations	1,338	1,831	71	107
<b>Group</b>	<b>42,246</b>	<b>39,699</b>	<b>1,470</b>	<b>1,220</b>

<sup>5</sup> Excluding investments in right-of-use assets of SEK 291 M (317).

### 3 Revenue recognition

#### Accounting policies

##### Revenue from contracts with customers

Trelleborg follows a five-step model for recognizing income that is based on when control of a good or service is passed to the customer. The core principle is that an entity recognizes revenue to depict the transfer of promised goods or services 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 comprises the following steps:

##### *Step 1: Identify the contract with the customer*

A contract is an agreement between two or more parties that creates enforceable rights and obligations. The requirements of IFRS 15 are to be applied to each individual customer contract that the parties agreed to and that meets the following criteria:

- The contract has been approved by the parties and the parties intend to fulfill their obligations
- Each party's rights can be identified
- The payment terms for the goods or services to be transferred can be identified
- The contract has commercial substance (the risk, timing, and amount for the company's future cash flows are expected to change due to the contract)
- It is probable that the consideration to which the company is entitled in exchange for the goods or services to be transferred to the customer will be collected

Trelleborg's customer contracts meet the five criteria of step 1.

##### *Step 2: Identify the performance obligations in the contract*

A contract with a customer contains a promise to transfer a good or service to the customer. If a promise for a good or service meets the criteria for being "distinct," this then comprises a performance obligation that is to be recognized separately from other goods and services in the contract.

Distinct performance obligations are promises to transfer goods or services in a contract that meet both of the following criteria:

- The customer can benefit from the good or services on its own or in conjunction with other readily available resources (distinct in nature) and
- The company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract (distinct in the contract).

The Trelleborg Group has customer contracts that include one or more performance obligations. Contracts may include only sales of products, only sales of services, or a combination of both. The contracts may also include freight service. The Trelleborg Group's obligations for warranties cover an assurance that the product meets the agreed specifications, meaning normal warranty rules. These are recognized as a provision.

##### *Step 3: Determine the transaction price*

The transaction price is the amount of consideration to which a company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding value-added tax. The transaction price may be a fixed amount or variable, for example as a result of rebates, refunds, credits, or other similar items. Contracts that involve variable consideration entail that estimates and assessments must be made that could affect both the size and the time of when revenue is recognized.

Variable consideration is only to be recognized if it is highly probable that it will not result in a significant revenue reversal in the future when the uncertainty relating to the variable consideration has been subsequently resolved. The Trelleborg Group has set the transaction price in accordance with IFRS 15 and variable consideration is continuously recognized on an accruals basis.

##### *Step 4: Allocate the transaction price*

Once the transaction price has been determined, it is to be allocated to the distinct performance obligations that have been identified. Where a contract has multiple performance obligations, the company will allocate the transaction price to each distinct performance obligation by reference to their relative standalone selling prices. Standalone selling price means the amount at which the performance obligation could be separately priced. The Trelleborg Group allocates the transaction price to the various performance obligations in proportion to their standalone selling prices.

##### *Step 5: Recognize revenue – over time or point in time*

Revenue is recognized when a company has satisfied a performance obligation, which is when control of the underlying goods or services has been passed to the customer. The amount recognized as revenue correspond to the amount allocated to the satisfied performance obligations. A performance obligation can be satisfied over time or at a point in time. Revenue is recognized over time if the customer simultaneously receives and consumes all of the benefits provided by the company as the company performs; the company's performance creates or enhances an asset that the customer controls; or the company's performance does not create an asset with an alternative use to the company and the company has an enforceable right to payment for performance completed to date. If a performance obligation does not meet one of these criteria to be recognized over time, revenue is recognized at one specific point in time. This takes place when control of a good or service is passed to the customer. Factors that may indicate the point in time at which control passes include: the company has transferred physical possession of the asset; the company has a present right to payment for the asset; the customer has accepted the good or service; the customer has the significant risks and rewards related to the ownership of the asset; and the customer has legal title to the asset.

Trelleborg recognizes revenue from contracts with customers both over time and at a specific point in time. The Group has a variety of delivery terms and these impact when control of the products is passed to the customer. For revenue recognition over time, both the "input and output" methods are used to determine the degree of completion. Under the "input method," revenue is recognized based on resources utilized in relation to the total expected use of resources in order to satisfy the performance obligation. For the "output method," revenue is recognized in relation to the number of tested or manufactured units and milestones achieved.

##### Payment terms

The most common payment terms in the Trelleborg Group vary between 1 and 90 days.

##### 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, royalty revenue, and gains or losses on divestments of joint ventures, associated companies and subsidiaries.

##### 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.

For further information, refer to Note 2, 20, 21, and 22.

**4 Expenses by nature**

SEK M	2021	2020
Costs for raw materials, components, goods for resale, and packaging material as well as energy and transport costs	-16,209	-14,054
Remuneration to employees	-9,818	-9,261
Depreciation/amortization and impairment losses	-1,776	-1,837
Other external costs related to sales, administration, and R&D	-1,467	-1,451
Other operating expenses	-351	-397
<b>Total</b>	<b>-29,621</b>	<b>-27,000</b>

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.

Additionally, non-recurring impairment of non-current assets was also 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 refer to material income or expense items recognized separately due to the significance of their nature or amount. Examples of such items include capital gains/losses upon the sale of non-current assets or subsidiaries and material legal costs.

**Breakdown by business area**

SEK M	2021	2020
Trelleborg Industrial Solutions	-209	-120
Trelleborg Sealing Solutions	-45	-117
Trelleborg Wheel Systems	-53	-58
Group activities	-6	-23
<b>Total</b>	<b>-313</b>	<b>-318</b>
Capital gain on the sale of properties	177	-
<b>Continuing operations</b>	<b>-136</b>	<b>-318</b>

**Breakdown by function**

SEK M	2021	2020
Cost of goods sold	-102	-136
Selling expenses	-30	-53
Administrative expenses	-90	-79
Research & development costs	-2	-4
Other operating income	204	14
Other operating expenses	-116	-60
<b>Total</b>	<b>-136</b>	<b>-318</b>

**Of which impairment losses and restructuring costs, respectively**

SEK M	Impairment losses		Restructuring costs	
	2021	2020	2021	2020
Trelleborg Industrial Solutions	-58	-	-151	-120
Trelleborg Sealing Solutions	-5	-43	-40	-74
Trelleborg Wheel Systems	-	-	-53	-58
Group activities	-	-	171	-23
<b>Continuing operations</b>	<b>-63</b>	<b>-43</b>	<b>-73</b>	<b>-275</b>

**6 Other operating income and expenses**

SEK M	2021	2020
Compensation from insurance company	2	1
Rental revenue	23	27
Exchange rate differences	206	279
Royalties	3	6
Government grants	16	14
Derivatives	39	50
Sale of non-current assets	98	13
Sale of tools, prototypes, etc.	12	10
Other	166	107
<b>Total other operating income</b>	<b>565</b>	<b>507</b>
Rental costs	-13	-2
Exchange rate differences	-152	-259
Derivatives	-9	-14
Depreciation/amortization	-174	-190
Sale/disposal of non-current assets	-61	-19
Other	-60	-102
<b>Total other operating expenses</b>	<b>-469</b>	<b>-586</b>
<b>Total</b>	<b>96</b>	<b>-79</b>

**7 Auditor's remuneration**

SEK M	2021	2020
<i>Deloitte</i>		
Audit assignment	23	24
Audit activities other than audit assignment	1	2
Tax consultancy services	0	0
Other services	0	1
<i>Other auditors</i>		
Audit assignment	6	5
Audit activities other than audit assignment	0	0
Tax consultancy services	-	-
Other services	-	0
<b>Total</b>	<b>30</b>	<b>32</b>

The audit assignment relates to an audit of the financial statements and accounts as well as an audit of the administration of the Board of Directors and the President. 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	2021	2020
Interest income according to the effective interest method from interest-bearing receivables recognized at amortized cost	25	26
Interest income according to the effective interest method from interest-bearing receivables recognized at amortized cost – from Assets held for sale	26	26
Net change in value of derivative instruments measured at fair value	–	2
Exchange rate fluctuations, net	71	102
<b>Total financial income</b>	<b>122</b>	<b>156</b>

### Financial expenses

Interest expenses according to the effective interest method from interest-bearing liabilities recognized at amortized cost	–133	–203
Interest expenses on lease liability	–66	–75
Interest expenses on pension liabilities	–6	–8
Interest expenses, derivative instruments measured at fair value	–54	–71
Net change in value of derivative instruments measured at fair value	–5	–
Exchange rate fluctuations, net	–34	–65
<b>Total financial expenses</b>	<b>–298</b>	<b>–422</b>
<b>Total financial income and expenses</b>	<b>–176</b>	<b>–266</b>

## 9 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, associated companies, and joint ventures, 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 on losses carried forward. 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	2021	2020
<b>Current tax expenses</b>		
Tax expenses for the period	–948	–903
Adjustment of tax attributable to prior years	–4	5
<b>Total</b>	<b>–952</b>	<b>–898</b>
<b>Deferred tax expenses</b>		
Utilization/Revaluation of losses carried forward	–198	–121
Deferred tax expenses/revenue on changes in temporary differences	–16	171
Adjustment of deferred tax attributable to prior years	–7	–6
<b>Total</b>	<b>–221</b>	<b>44</b>
<b>Total recognized tax expense in continuing operations</b>	<b>–1,173</b>	<b>–854</b>
<b>Reconciliation of tax in the Group</b>		
Profit before tax	4,839	3,511
Calculated Swedish income tax, 20.6% (21.4)	–997	–752
Impact of other tax rates on foreign subsidiaries	–126	–39
Impact of changed tax rates and tax regulations <sup>1</sup>	–21	75
Other non-deductible expenses/Non-taxable revenue	–20	–14
Foreign withholding tax	–19	–121
Reassessment of losses carried forward/temporary differences	8	–
Tax attributable to prior years	–11	–1
Other	13	–2
<b>Recognized tax in continuing operations</b>	<b>–1,173</b>	<b>–854</b>
<b>Tax items recognized in other comprehensive income or directly against equity</b>		
Deferred tax on cash-flow hedges	–25	10
Deferred tax on hedging of net investments	81	–119
Deferred tax in translation differences	–4	12
Deferred tax on pension obligations (IAS 19)	–10	6
<b>Total</b>	<b>42</b>	<b>–91</b>

<sup>1</sup> 2020 includes the effects linked to a new tax reform in the US.

At year-end, the Group had losses carried forward of approximately SEK 1,758 M (2,680), of which SEK 1,139 M (1,937) 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 4 M (0) falls due within the next 12-month period and SEK 16 M (60) falls due within the next five-year period.

## Deferred tax assets and liabilities

SEK M	2021			2020		
	Deferred tax assets	Deferred tax liabilities	Net	Deferred tax assets	Deferred tax liabilities	Net
Intangible assets	95	980	-885	149	1,032	-883
Land and buildings	67	108	-41	57	143	-86
Machinery and equipment	70	284	-214	104	279	-175
Right-of-use assets	-	452	-452	-	453	-453
Financial non-current assets	0	5	-5	0	5	-5
Inventories	177	7	170	148	5	143
Current receivables	30	14	16	50	5	45
Pension provisions	96	0	96	112	0	112
Other provisions	109	33	76	119	37	82
Lease liabilities	501	-	501	495	-	495
Non-current liabilities	4	0	4	4	0	4
Current liabilities	173	6	167	128	30	98
Losses carried forward	235	-	235	466	-	466
<b>Total</b>	<b>1,557</b>	<b>1,889</b>	<b>-332</b>	<b>1,832</b>	<b>1,989</b>	<b>-157</b>
Offsetting of assets/liabilities	-963	-963		-1,090	-1,090	
<b>Total</b>	<b>594</b>	<b>926</b>	<b>-332</b>	<b>742</b>	<b>899</b>	<b>-157</b>

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		Reclassification to Assets held for sale		Recognized in profit and loss		Recognized in other comprehensive income/directly against equity		Acquired/divested tax assets/liabilities		Translation reserve		Balance, December 31	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Intangible assets	-883	-958	70	-	-5	-14	-	-	-12	-1	-55	90	-885	-883
Land and buildings	-86	-103	32	-	-6	-5	-	11	-	0	19	11	-41	-86
Machinery and equipment	-175	-182	-10	-	-2	3	-	-11	-	-4	-27	19	-214	-175
Right-of-use assets	-453	-527	10	-	10	39	-	-	-	0	-19	35	-452	-453
Financial non-current assets	-5	-5	-	-	-50	107	50	-107	-	-	0	0	-5	-5
Inventories	143	140	-14	-	35	14	-	-	-	-1	6	-10	170	143
Current receivables	45	1	-1	-	-29	45	-	-	-	-	1	-1	16	45
Pension provisions	112	121	-3	-	-3	-8	-10	6	-	-	0	-7	96	112
Other provisions	82	87	24	-	-1	-1	-	-	-	0	-29	-4	76	82
Lease liabilities	495	573	-10	-	-10	-36	-	-	-	0	26	-42	501	495
Non-current liabilities	4	4	-	-	0	0	-	-	-	-	0	0	4	4
Current liabilities	98	136	18	-	38	-13	2	-6	-	-5	11	-14	167	98
Losses carried forward	466	579	-80	-	-198	-99	0	16	-	-2	47	-28	235	466
<b>Total</b>	<b>-157</b>	<b>-134</b>	<b>36</b>	<b>-</b>	<b>-221</b>	<b>32</b>	<b>42</b>	<b>-91</b>	<b>-12</b>	<b>-13</b>	<b>-20</b>	<b>49</b>	<b>-332</b>	<b>-157</b>

## Employees

### 10 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.

See also Note 11 concerning pensions.

#### Average number of employees

	2021			2020		
	Number of women	Number of men	Total	Number of women	Number of men	Total
Czech Republic	529	2,048	2,577	490	1,976	2,466
UK	293	1,032	1,325	301	1,129	1,430
Italy	176	884	1,060	173	803	976
Germany	341	662	1,003	357	678	1,035
Sweden	316	634	950	325	666	991
France	180	662	842	187	706	893
Serbia	76	623	699	63	550	613
Slovenia	208	487	695	185	490	675
Malta	146	324	470	118	303	421
Poland	198	257	455	199	243	442
Turkey	28	405	433	27	413	440
Denmark	111	273	384	113	274	387
Netherlands	31	206	237	25	191	216
Rest of Europe	425	653	1,078	405	676	1,081
<b>Total Europe</b>	<b>3,058</b>	<b>9,150</b>	<b>12,208</b>	<b>2,968</b>	<b>9,098</b>	<b>12,066</b>
US	1,071	2,154	3,225	1,036	2,123	3,159
Canada	11	35	46	6	37	43
<b>Total North America</b>	<b>1,082</b>	<b>2,189</b>	<b>3,271</b>	<b>1,042</b>	<b>2,160</b>	<b>3,202</b>
Brazil	62	154	216	56	162	218
Other South and Central America	126	266	392	130	255	385
<b>Total South and Central America</b>	<b>188</b>	<b>420</b>	<b>608</b>	<b>186</b>	<b>417</b>	<b>603</b>
China	430	1,041	1,471	401	916	1,317
Sri Lanka	32	674	706	30	656	686
India	81	721	802	83	641	724
Other markets	161	566	727	152	552	704
<b>Total Asia and Other markets</b>	<b>704</b>	<b>3,002</b>	<b>3,706</b>	<b>666</b>	<b>2,765</b>	<b>3,431</b>
Discontinuing operations	304	898	1,202	559	1,564	2,123
<b>Group</b>	<b>5,336</b>	<b>15,659</b>	<b>20,995</b>	<b>5,421</b>	<b>16,004</b>	<b>21,425</b>

The proportion of women is 14 percent (13) in Group Management and 57 percent (43) on the Board of Directors.

#### Employee benefits, other remuneration and payroll overheads

Salaries and other remuneration, SEK M	2021	2020
Czech Republic	553	450
UK	672	644
Italy	493	483
Germany	777	741
Sweden	574	516
France	378	379
Serbia	69	62
Slovenia	210	185
Malta	126	106
Poland	86	79
Turkey	78	65
Denmark	255	263
Netherlands	150	142
Rest of Europe	451	431
<b>Total Europe</b>	<b>4,872</b>	<b>4,546</b>
US	2,075	2,100
Canada	36	33
<b>Total North America</b>	<b>2,111</b>	<b>2,133</b>
Brazil	40	46
Other South and Central America	67	59
<b>Total South and Central America</b>	<b>107</b>	<b>105</b>
China	252	216
Sri Lanka	43	42
India	87	76
Other markets	426	401
<b>Total Asia and Other markets</b>	<b>808</b>	<b>735</b>
<b>Salaries and other remuneration</b>	<b>7,898</b>	<b>7,519</b>
Payroll overheads	1,360	1,296
Pension costs – defined contribution plans	227	216
Pension costs – defined benefit plans	59	39
<b>Payroll overheads</b>	<b>1,646</b>	<b>1,551</b>
<b>Employee benefits, other remuneration and payroll overheads in discontinuing operations</b>	<b>444</b>	<b>768</b>
<b>Group</b>	<b>9,988</b>	<b>9,838</b>
Salaries and other remuneration include:		
to Board members and President of Trelleborg AB, including variable salaries	32	19
to other senior executive officers	44	30

#### Remuneration of the Board of Directors and senior executives

##### Principles

The principles governing remuneration of senior executives in the Trelleborg Group were adopted by the 2020 Annual General Meeting.

Trelleborg's principles for remuneration of senior executives state that the company shall offer market-based terms of employment that enable the company to recruit, develop, and retain senior executives. The remuneration principles may 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 in comparison with relevant industries and markets. Refer also to [www.trelleborg.com](http://www.trelleborg.com), Corporate Governance, Remuneration: "Principles for remuneration of senior executives".

#### Remuneration of management

##### President

During 2021, 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 earning an annual variable salary. The annual variable salary has a fixed ceiling. Normally, this ceiling corresponds to a maximum of 65 percent of the fixed salary. For 2021, the company's Board has decided on an exception as described in Remuneration Report 2021 on pages 66–67 of the 2021 Annual Report. In 2021, the annual variable salary was based on financial targets and specific sustainability targets. The annual variable salary does not constitute pensionable income and does not form the basis for the calculation of vacation pay. For 2021, an annual variable salary of SEK 8,956,000 (2,057,000) was paid to the President.

Pensionable age for the President is 65; however, both the company and the President have the right, without a special cause, to request an early retirement from the age of 60, with a mutual six-month notice of termination.

Should the President enter into an early retirement, the employment agreement and the pension agreement will be null and void. The pension agreement is a defined-contribution scheme, and the premium comprises 45 percent of the fixed salary. Pension premiums were paid in 2021 as shown in the table to the right. For the President, a notice period of 24 months applies should termination of employment be initiated by the company. Should a termination of employment be initiated by the President, the notice period shall be six months.

#### Other senior executives

The principles for remuneration of other senior executives are based on a fixed and annual variable salary as well as certain benefits. The annual variable component has a fixed ceiling accounting for a maximum of 40–55 percent of the fixed annual salary. For 2021, the company's Board has decided on an exception as described in Remuneration Report 2021 on pages 66–67 of the 2021 Annual Report. For 2021, the annual variable salary was based on profit before tax, operating cash flow, and specific sustainability targets.

For other senior executives, the entire pension plan was based on a defined-contribution model, whereby the pension premium varied between 10 and 40 percent of the fixed salary. For other Swedish senior executives, the maximum level of 35 percent in accordance with the policy was applied in 2021.

Certain senior executives have extended notice periods when a termination of employment is initiated by the company, normally 12, 18, or 24 months. Should a termination of employment be initiated by a senior executive, the notice period is six months. The President and other senior executives have also been entitled to 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 senior executives considered to have a significant influence on the Trelleborg Group's earnings per share. These programs are rolling on three years at the time. The Board determines annually whether to introduce new programs and, if so, the scope, objective, and participants. The long-term incentive programs have been a cash-based supplement to the annual variable salaries, provided that the executives have not terminated their employment as per December 31 in the year when the program ends.

#### Purpose

The long-term incentive programs shall be designed to contribute to Trelleborg's business strategy and long-term interests including its sustainability. The ultimate target is to increase the shareholder value by promoting, developing, and retaining senior executives.

#### Target figure

The target value for the long-term incentive program is an annual improvement of 10 percent of the Trelleborg Group's earnings per share. This target shall exclude the Group's items affecting comparability and the impact of any share buyback programs. For the 2018–2020 programs, the basis for the target figure was set as the outcome of earnings per share for 2017. This principle has remained unchanged for the rolling three-year programs that commenced thereafter. All programs have an outcome limited to 33.3 percent of the maximum annual variable salary per year in the program.

#### Outcome and payment

The outcome of the programs are calculated annually, accumulated over the respective three-year period and potential payments are made in the first quarter of the year after the program expires. Therefore, a payment was made in the first quarter of 2021 for the program approved in 2018. For the program approved for 2019, payment will be made in the first quarter of 2022, for the program approved for 2020, payment will be made in the first quarter of 2023, and for the program approved for 2021, payment will be made in the first quarter of 2024. These payments do not constitute pensionable income and do not form the basis of calculation of vacation payment.

In 2021, SEK 27,432,000 (–) was expensed as the targets were partially achieved.

#### Other incentive programs

The Group has no other ongoing incentive programs such as convertible debentures, warrant programs, share incentive programs, or similar at the present time.

#### Remuneration of the Board

The fees paid to the members of the Board of Directors elected by the Annual General Meeting were approved by the 2021 Annual General Meeting based on the proposals of the Nomination Committee. For 2021, remuneration was paid as per the table on the right. No consulting fees were paid to the Board members. Executive Board members do not receive remuneration for Board work.

Costs are recognized as remuneration of senior executives for the period during which the person in question was employed.

#### Specification of remuneration to Board members, salaries to the President and other senior executive officers

2021 SEK 000s	Board fee/fixed salary	Annual variable salary	Incentive program <sup>1</sup>	Other benefits	Pension costs	Total
Hans Biörck, Chairman of the Board	2,220					2,220
Gunilla Fransson, Board member	873					873
Johan Malmquist, Board member	797					797
Anne Mette Olesen, Board member	715					715
Susanne Pahlén Åklundh, Board member <sup>2</sup>	247					247
Jan Ståhlberg, Board member	862					862
Monica Gimre <sup>3</sup>	533					533
President	11,917	8,956	4,614	221	5,181	30,889
Other senior executives, employees of Trelleborg AB, 2 persons	9,439	4,243	1,548	315	2,476	18,021
employees of other Group companies, 4 persons	14,962	8,990	3,913	809	3,098	31,772
<b>Total</b>	<b>42,565</b>	<b>22,189</b>	<b>10,075</b>	<b>1,345</b>	<b>10,755</b>	<b>86,929</b>

<sup>1</sup> Expensed in 2021. Payment is to be made in the first quarter 2022 to 2024, on condition that the individual is employed in the Group on December 31 of the preceding year.

<sup>2</sup> Board member up to and including the Annual General Meeting.

<sup>3</sup> Board member as of the Annual General Meeting.

2020 SEK 000s	Board fee/fixed salary	Annual variable salary	Incentive program	Other benefits	Pension costs	Total
Hans Biörck, Chairman of the Board	2,090					2,090
Gunilla Fransson, Board member	820					820
Johan Malmquist, Board member	750					750
Anne Mette Olesen, Board member	675					675
Susanne Pahlén Åklundh, Board member	740					740
Panu Routila, Board member <sup>4</sup>	247					247
Jan Ståhlberg, Board member	768					768
President	11,330	2,057	–	198	5,047	18,632
Other senior executives, employees of Trelleborg AB, 2 persons	5,705	803	–	261	1,941	8,710
employees of other Group companies, 5 persons	17,905	4,221	–	1,267	4,679	28,072
<b>Total</b>	<b>41,030</b>	<b>7,081</b>	<b>–</b>	<b>1,726</b>	<b>11,667</b>	<b>61,504</b>

<sup>4</sup> Board member up to and including the Annual General Meeting.

## 11 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 regularly 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, adjusted for limitation of defined benefit asset and IFRIC 14.

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

Some Group companies in the US provide post-retirement health care benefits to 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 in other comprehensive income in the period in which they arise. 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, future salary increases, inflation, and the demographic conditions. At year-end, defined benefit obligations amounted to SEK 523 M (603).

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.

Contributions to plans for post-employment benefits for the 2022 fiscal year are expected to amount to SEK 45 M. The weighted average term of the pension obligation is 14 years.

#### Specification of costs

SEK M	2021	2020
Costs for services during current year <sup>1</sup>	51	49
Interest on the obligation	21	31
Anticipated return on plan assets <sup>2</sup>	-13	-23
Actuarial gains and losses recognized for the year	-1	0
Curtailed and settlement	5	-16
Past service cost	-4	-2
<b>Total cost of defined benefit plans</b>	<b>59</b>	<b>39</b>
Cost of defined contribution plans	227	216
<b>Total pension costs</b>	<b>286</b>	<b>255</b>

<sup>1</sup> Includes administrative expenses, taxes, and risk premiums.

<sup>2</sup> Adjusted for limitation of defined benefit asset and IFRIC 14.

#### Specification of pension obligations in the balance sheet

SEK M	2021	2020
Present value of funded obligations	698	1,153
Fair value of plan assets	-629	-1,048
<b>Surplus/deficit in funded plans</b>	<b>69</b>	<b>105</b>
Present value of unfunded obligations	454	498
<b>Total defined benefit plans</b>	<b>523</b>	<b>603</b>
Effect of limit rule for net assets	0	0
<b>Total defined benefit plans</b>	<b>523</b>	<b>603</b>
<b>Defined contribution plans</b>	<b>0</b>	<b>1</b>
<b>Net pension liability</b>	<b>523</b>	<b>604</b>
of which, recognized as plan assets	2	15
<b>Closing balance, pension liability</b>	<b>525</b>	<b>619</b>

#### Change in defined benefit obligations

SEK M	Present value of obligation	Fair value of plan assets	Effect of limit rule for net assets	Total
<b>On January 1, 2020</b>	<b>1,731</b>	<b>-1,131</b>	<b>0</b>	<b>600</b>
Costs for services during current year <sup>3</sup>	46	4	-	50
Interest expenses/(income) <sup>4</sup>	31	-23	-	8
Past service cost	-2	-	-	-2
Gains and losses from settlements	-17	-	-	-17
	<b>58</b>	<b>-19</b>	<b>0</b>	<b>39</b>
<i>Revaluations:</i>				
Return on plan assets excluding amounts included in interest expenses/(income)	-	-138	0	-138
(Gain)/loss due to changed demographic assumptions	-8	0	-	-8
(Gain)/loss due to changed financial assumptions	69	0	-	69
Experience-based (gains)/losses	132	0	-	132
	<b>193</b>	<b>-138</b>	<b>0</b>	<b>55</b>
Exchange rate differences	-247	210	0	-37
<i>Contributions:</i>				
Employer	-	-49	-	-49
Employees encompassed by the plan	10	-10	-	0
<i>Payments:</i>				
Payments made from plans	-53	53	-	0
Payments made directly from companies	-35	35	-	0
Transfers or change in scope	-5	-	-	-5
<b>At December 31, 2020</b>	<b>1,652</b>	<b>-1,049</b>	<b>0</b>	<b>603</b>
<b>On January 1, 2021</b>	<b>1,652</b>	<b>-1,049</b>	<b>0</b>	<b>603</b>
Reclassification to Liabilities held for sale	-31	2	0	-29
Costs for services during current year <sup>3</sup>	48	3	-	51
Interest expenses/(income) <sup>4</sup>	21	-13	-	8
Past service cost	-4	-	-	-4
Gains and losses from settlements	-436	441	-	5
	<b>-371</b>	<b>431</b>	<b>0</b>	<b>60</b>
<i>Revaluations:</i>				
Return on plan assets excluding amounts included in interest expenses/(income)	-	26	0	26
(Gain)/loss due to changed demographic assumptions	-21	-	-	-21
(Gain)/loss due to changed financial assumptions	-53	-	-	-53
Experience-based (gains)/losses	-17	-	-	-17
	<b>-91</b>	<b>26</b>	<b>0</b>	<b>-65</b>

SEK M	Present value of obligation	Fair value of plan assets	Effect of limit rule for net assets	Total
Exchange rate differences	60	-58	-	2
<b>Contributions:</b>				
Employer	-	-43	-	-43
Employees encompassed by the plan	9	-9	-	0
<b>Payments:</b>				
Payments made from plans	-46	46	-	0
Payments made directly from companies	-25	25	-	0
Transfers or change in scope	-5	-	-	-5
<b>At December 31, 2021</b>	<b>1,152</b>	<b>-629</b>	<b>0</b>	<b>523</b>

<sup>3</sup> Including administrative expenses.

<sup>4</sup> Adjusted for limitation of defined benefit asset and IFRIC 14.

### Defined benefit pension obligation and composition of plan assets per country

SEK M	2021					Total
	US	Switzerland	France	UK	Other	
Present value of funded obligations	11	379	-	139	169	698
Fair value of plan assets	-26	-302	-	-139	-162	-629
<b>Total</b>	<b>-15</b>	<b>77</b>	<b>-</b>	<b>0</b>	<b>7</b>	<b>69</b>
Present value of unfunded obligations	15	1	197	-	241	454
Effect of limit rule for net assets	-	-	-	0	-	0
<b>Total defined benefit plans</b>	<b>0</b>	<b>78</b>	<b>197</b>	<b>0</b>	<b>248</b>	<b>523</b>

SEK M	2020					Total
	US	Switzerland	France	UK	Other	
Present value of funded obligations	450	402	-	129	172	1,153
Fair value of plan assets	-473	-281	-	-129	-165	-1,048
<b>Total</b>	<b>-23</b>	<b>121</b>	<b>-</b>	<b>0</b>	<b>7</b>	<b>105</b>
Present value of unfunded obligations	13	1	194	0	290	498
Effect of limit rule for net assets	-	-	-	-	0	0
<b>Total defined benefit plans</b>	<b>-10</b>	<b>122</b>	<b>194</b>	<b>0</b>	<b>297</b>	<b>603</b>

Key actuarial assumptions, %	2021					Group average
	US	Switzerland	France	UK	Other	
Discount rate	2.55	0.35	0.85	1.80	2.58	1.45
Inflation	2.50	1.00	N/A	3.20	3.19	2.22
Salary increases	N/A	1.16	2.42	N/A	4.15	2.48

Key actuarial assumptions, %	2020					Group average
	US	Switzerland	France	UK	Other	
Discount rate	2.30	0.10	0.50	1.60	2.04	1.42
Inflation	2.50	1.00	N/A	2.30	2.30	1.73
Salary increases	N/A	1.15	2.42	N/A	3.61	2.29

Life expectancy	2021					
	US	Switzerland	France	UK	Other	Average
Life expectancy for a 45-year-old man at the age of 65	21.6	23.8	19.2	21.8	21.2	21.8
Life expectancy for a 65-year-old man at the age of 65	20.7	21.9	19.2	20.4	19.7	20.4
Life expectancy for a 45-year-old woman at the age of 65	23.5	25.5	23.1	23.9	24.4	24.5
Life expectancy for a 65-year-old woman at the age of 65	22.7	23.6	23.1	22.4	23.0	23.2

Life expectancy	2020					
	US	Switzerland	France	UK	Other	Average
Life expectancy for a 45-year-old man at the age of 65	21.9	23.7	19.2	21.7	21.1	21.8
Life expectancy for a 65-year-old man at the age of 65	20.5	21.9	19.2	20.4	19.7	20.4
Life expectancy for a 45-year-old woman at the age of 65	23.8	25.7	23.1	23.8	24.3	24.4
Life expectancy for a 65-year-old woman at the age of 65	22.4	23.8	23.1	22.3	23.0	23.0

### Sensitivity in the defined benefit obligation to changes in the key weighted assumptions

SEK M	Increase of +0.25% in assumptions <sup>5</sup>					
	US	Switzerland	France	UK	Other	Total
Discount rate	-0.6	-15.5	-5.7	-4.1	-13.2	-39.1
Inflation	0.0	0.1	N/A	3.2	3.1	6.4
Salary increases	N/A	1.2	5.7	0.0	2.7	9.6

Life expectancy	Increase of 1 year in assumption				
	US	Switzerland	France	UK	Other
	1.0	9.3	0.9	6.3	6.3

SEK M	Decrease of -0.25% in assumptions <sup>5</sup>					
	US	Switzerland	France	UK	Other	Total
Discount rate	0.6	16.7	5.9	4.3	13.8	41.3
Inflation	0.0	-0.2	N/A	-3.1	-3.1	-6.4
Salary increases	0.0	-1.3	-5.5	0.0	-2.6	-9.4

Life expectancy	Decrease of 1 year in assumption <sup>6</sup>				
	US	Switzerland	France	UK	Other
	1.0	9.3	0.9	6.3	6.3

<sup>5</sup> The increase in the defined benefit obligation is shown as positive and the decrease as negative.

<sup>6</sup> Not applicable.

### Composition of plan assets

SEK M	2021			
	Listed	Unlisted	Total	%
Shares	75	-	75	12.0
Debt instruments (government bonds and corporate bonds)	107	-	107	17.0
Properties	48	-	48	7.6
Other (including cash and cash equivalents, and insurance)	168	231	399	63.4
<b>Total</b>	<b>398</b>	<b>231</b>	<b>629</b>	<b>100.0</b>

SEK M	2020			
	Listed	Unlisted	Total	%
Shares	60	-	60	5.7
Debt instruments (government bonds and corporate bonds)	104	-	104	9.9
Properties	45	-	45	4.3
Other (including cash and cash equivalents, and insurance)	624	215	839	80.1
<b>Total</b>	<b>833</b>	<b>215</b>	<b>1,048</b>	<b>100.0</b>

Contributions to plans for post-employment benefits for the 2022 fiscal year are expected to amount to SEK 45 M. The weighted average term of the pension obligation is 14 years.

### Pension insurance with Alecta

Retirement pension and family pension obligations for salaried employees in Sweden are secured through pension insurance with Alecta. According to a statement issued by the Swedish Financial Reporting Board, UFR 10, this constitutes a multi-employer defined benefit plan. For the 2021 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, 2021, Alecta's surplus corresponded preliminarily to a collective consolidation ratio of 172 percent (148).

Contributions to plans for post-employment benefits for the 2022 fiscal year are expected to amount to SEK 45 M. The weighted average term of the pension obligation is 14 years.

## Group structure

### 12 Participations in joint ventures/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 carrying amount 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

An assessment must be made regarding whether any joint arrangements that exist within the Group are to be considered 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 non-current 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 obligations have been incurred or payments made 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 10 for further information.

SEK M	Profit before tax		Income tax		Net profit/loss		Dividend received	
	2021	2020	2021	2020	2021	2020	2021	2020
Associated companies	5	-3	-2	1	3	-2	1	1
<b>Total</b>	<b>5</b>	<b>-3</b>	<b>-2</b>	<b>1</b>	<b>3</b>	<b>-2</b>	<b>1</b>	<b>1</b>

SEK M	Receivables from companies		Liabilities to companies		Sales to companies		Operating income from companies	
	2021	2020	2021	2020	2021	2020	2021	2020
Associated companies	1	4	1	1	7	8	12	0
<b>Total</b>	<b>1</b>	<b>4</b>	<b>1</b>	<b>1</b>	<b>7</b>	<b>8</b>	<b>12</b>	<b>0</b>

#### Change in carrying amounts of associated companies

SEK M	2021	2020
Balance, January 1, associated companies	104	108
Reclassification to assets held for sale	-74	-
Share of profit for year from associated companies	3	2
Capital contributions	29	-
Dividend	-1	-1
Translation difference	-1	-5
<b>Carrying amount, December 31</b>	<b>60</b>	<b>104</b>

### 13 Parent Company and Group holdings of shares in Group companies

#### 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 <sup>1</sup>	Registration number	Domicile/country	Ownership percent	Carrying amount, SEK M
<b>Chemtrading Alpha Holding AG</b>	CH - 170.3.018.603-0	Switzerland	100	3
<b>Dormviltolv AB</b>	556853-1619	Trelleborg	100	0
<b>Dormviltretton AB</b>	556853-1627	Trelleborg	100	0
<b>Dormvilfjorton AB</b>	556853-1486	Trelleborg	100	0
<b>Dormvilfemton AB</b>	556853-1635	Trelleborg	100	276
<b>LEBELA Förvaltnings AB</b>	556054-1533	Trelleborg	100	32
<b>MHT Takentreprenören i Malmö AB</b>	556170-2340	Malmö	100	0
<b>Printing Solutions Sweden Holding AB</b>	556728-8716	Trelleborg	100	21
Trelleborg Coated Systems Italy SpA	10051150158	Italy	100	
<b>Trelleborg Automotive Shanghai Holdings AB</b>	556742-8742	Trelleborg	100	10
Trelleborg Automotive Shanghai Co Ltd	310000400644102	China	0	
<b>Trelleborg China Holding AB</b>	556030-7398	Trelleborg	100	43
Trelleborg Sealing Solutions (China) Co. Ltd	310000400437534	China	100	
<b>Trelleborg Corporation</b>	06-1253246	US	100	4,989
Trelleborg Coated Systems US Inc	23-1470071	US	100	
Trelleborg Sealing Profiles US Inc	20-4090472	US	100	
Trelleborg Sealing Solutions Japan KK	0106-01-011635	Japan	35	
Trelleborg Sealing Solutions US Inc	95-1773005	US	100	
Trelleborg India Pvt Ltd	U25203KA2012FTC062226	India	100	
Trelleborg Sealing Solutions Detroit, Inc	58-2037536	US	100	
Trelleborg Sealing Solutions Japan KK	0106-01-011635	Japan	25	
Trelleborg Wheel Systems Americas Inc	06-1316073	US	100	
<b>Trelleborg Croatia d.o.o.</b>	080638386	Croatia	100	0
<b>Trelleborg do Brasil Soluções em Vedação Ltda</b>	35218417780	Brazil	100	20
<b>Trelleborg Engineered Systems China Holding AB</b>	556223-5910	Trelleborg	100	3
<b>Trelleborg Engineered Systems Qingdao Holding AB</b>	556715-4991	Trelleborg	100	96
<b>Trelleborg Forsheda AB</b>	556052-2996	Värnamo	100	150
<b>Trelleborg Holding AB</b>	556212-8255	Trelleborg	100	5,467
OOO Mitas	1107746745149	Russia	100	
Trelleborg Antivibration Solutions Germany GmbH	HRB 5137 NP	Germany	100	
Trelleborg Bohemia a.s	000 12 131	Czech Republic	100	
Trelleborg Istanbul Endüstriyel Hortumlar Sanayi ve Ticaret Anonim Sirketi	905	Turkey	100	
Trelleborg Marine Systems Australia Pty Ltd	098 290 400	Australia	100	
Trelleborg Sealing Profiles Germany GmbH	HRB 11960	Germany	100	
Trelleborg Sealing Profiles Sweden AB	556026-2148	Trelleborg	100	
Trelleborg Sealing Solutions Germany GmbH	HRB 21275	Germany	100	
Trelleborg Slovenija d.o.o	1661205000	Slovenia	100	
Trelleborg Wheel Systems Argentina S.A.	14362	Argentina	15	
Trelleborg Wheel Systems Belgium NV	BE0402981847	Belgium	100	
Trelleborg Wheel Systems Czech Republic a.s.	000 12 190	Czech Republic	100	
Trelleborg Wheel Systems Germany GmbH	HRB 71478	Germany	100	
Trelleborg Wheel Systems Moto d.o.o.	8551146000	Slovenia	100	
<b>Trelleborg Holding Danmark A/S</b>	1627 9196	Denmark	100	631
<b>Trelleborg Holding France SAS</b>	353742307	France	100	1,476
Trelleborg Clermont-Ferrand SAS	391933397	France	100	
Trelleborg Sealing Solutions France SAS	309,730,554	France	100	
Trelleborg Wheel Systems France SAS	410783492	France	100	

<sup>1</sup> The table shows all directly owned subsidiaries and indirectly owned companies with annual external sales exceeding SEK 250 m.

Company <sup>1</sup>	Registration number	Domicile/country	Ownership percent	Carrying amount, SEK M
<b>Trelleborg Holdings Italia S.r.l.</b>	LI-128316	Italy	100	671
Trelleborg Sealing Solutions Italia S.p.A.	LI-48490	Italy	100	
Trelleborg Wheel Systems Italia SpA	RM-907676	Italy	100	
<b>Trelleborg Holdings UK Ltd</b>	03304377	UK	100	1,951
Trelleborg Industrial Products UK Limited	3847966	UK	100	
Trelleborg Sealing Solutions UK Ltd	00446036	UK	100	
<b>Trelleborg Industri AB</b>	556129-7267	Trelleborg	100	118
<b>Trelleborg Industrial Products Finland Oy</b>	0605887-9	Finland	100	137
<b>Trelleborg Insurance Ltd</b>	10412	Bermuda	100	118
<b>Trelleborg International B.V.</b>	02327837	Netherlands	100	1,358
Trelleborg Pipe Seals Lelystad BV	05026585	Netherlands	100	
Trelleborg Wheel Systems Netherlands B.V.	24268976	Netherlands	100	
<b>Trelleborg Kenitra SARL</b>	54449	Morocco	100	0
<b>Trelleborg Lanka (Pvt) Ltd</b>	6613	Sri Lanka	100	854
<b>Trelleborg Marine Systems Japan KK</b>	0100-01-095821	Japan	100	0
<b>Trelleborg Mladá Boleslav s.r.o.</b>	639 96 111	Czech Republic	100	19
<b>Trelleborg Moulded Components Wuxi Holding AB</b>	556715-4983	Trelleborg	100	29
<b>Trelleborg Offshore &amp; Construction AB</b>	556055-7711	Trelleborg	100	23
<b>Trelleborg Sealing Profiles Lithuanian, UAB</b>	302333896	Lithuania	100	8
<b>Trelleborg Sealing Solutions Algetshausen AG</b>	CHE-107.270.682	Switzerland	100	27
<b>Trelleborg Sealing Solutions Belgium SA</b>	BE0440479473	Belgium	100	41
<b>Trelleborg Sealing Solutions Bulgaria EOOD</b>	175241703	Bulgaria	100	65
<b>Trelleborg Sealing Solutions Czech s.r.o.</b>	48948764	Czech Republic	100	48
<b>Trelleborg Sealing Solutions Finland Oy</b>	0721679-5	Finland	100	75
<b>Trelleborg Sealing Solutions Hong Kong Ltd</b>	730579	Hong Kong	100	1
<b>Trelleborg Sealing Solutions Hungary Limited Liability Company</b>	13-09-119761	Hungary	100	1
<b>Trelleborg Sealing Solutions Japan KK</b>	0106-01-011635	Japan	40	99
<b>Trelleborg Sealing Solutions Kalmar AB</b>	556325-7442	Kalmar	100	689
<b>Trelleborg Sealing Solutions Korea Ltd</b>	123-81-81886	South Korea	100	17
<b>Trelleborg Sealing Solutions Polska Sp. z o.o.</b>	0000100866	Poland	100	6
<b>Trelleborg Sealing Solutions Russia OOO</b>	1087746852599	Russia	100	2
<b>Trelleborg Sealing Solutions Sızdirmazlık Ürünleri İthalat İhracat Üretim ve Ticaret Limited Sirketi</b>	816771	Turkey	100	7
<b>Trelleborg Sealing Solutions Sweden AB</b>	556204-8370	Jönköping	100	167
<b>Trelleborg Sealing Solutions Switzerland AG</b>	290.3.004.156-3	Switzerland	100	333
<b>Trelleborg Tigveni SRL</b>	22964627	Romania	100	6
<b>Trelleborg Treasury AB (publ)</b>	556064-2646	Stockholm	100	15,509
<b>Trelleborg Tyres Lanka (Private) Limited</b>	4395	Sri Lanka	100	91
<b>Trelleborg Wheel Systems Argentina S.A.</b>	14362	Argentina	85	1
<b>Trelleborg Wheel Systems China Holdings AB</b>	556739-6998	Trelleborg	100	56
<b>Trelleborg Wheel Systems Lanka (Pvt) Ltd</b>	6772	Sri Lanka	100	291
<b>Trelleborg Wheel Systems Nordic AB</b>	556056-2620	Trelleborg	100	30
<b>Trelleborg Wheel Systems Serbia doo</b>	08250600	Serbia	100	800
<b>Total Parent Company</b>				<b>36,865</b>

<sup>1</sup> The table shows all directly owned subsidiaries and indirectly owned companies with annual external sales exceeding SEK 250 M.

## 14 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 non-controlling interests 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 in the Group 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 and up until a controlling influence is achieved. 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 IFRS 9 in profit and loss. 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.

### Acquisitions 2021

SEK M	Acquired 2021	Acquired 2020 <sup>1</sup>
Developed technology <sup>2</sup>	–	6
Customer relationships <sup>3</sup>	94	–8
Other intangible assets	7	–
Property, plant, and equipment	241	–
Deferred tax assets	0	–
Interest-bearing receivables	19	–
Inventories	62	–2
Operating receivables	55	–3
Current tax assets	1	1
Cash and cash equivalents	26	–
Deferred tax liabilities	–12	–6
Interest-bearing liabilities	–82	–
Current tax liability	–1	–2
Operating liabilities	–37	–3
<b>Net assets</b>	<b>373</b>	<b>–17</b>
Goodwill	162	14
<b>Total purchase consideration</b>	<b>535</b>	<b>–3</b>
Cash and cash equivalents and other net debt in acquired operations	38	–
<b>Cash flow effect</b>	<b>573</b>	<b>–3</b>

<sup>1</sup> Relates to adjustments for acquisitions carried out in 2019. The acquisitions are marginal, which is why separate disclosure is not considered to be significant.

<sup>2</sup> Surplus value of developed technology is amortized over a period of 10–12 years.

<sup>3</sup> The surplus value of customer relationships is amortized over a period of 10–12 years.

## 2021

### Acquisitions in the Trelleborg Industrial Solutions business area

Gutteling Group BV. develops and sells composite hoses to the chemical industry and is market leader in hoses for LNG ship-to-ship transfer.

Alpha Engineered Composites is active in polymer-coated fabrics used in niche applications, for example, in transportation equipment and the aerospace industry, as well as in engineered industrial products.

### Acquisitions in the Trelleborg Sealing Solutions business area

VB Seals Inc. specializes in the distribution of polymer seals such as O-Rings, hydraulic seals, diaphragms, and specialty kitting for original equipment manufacturers in several industries, including agriculture.

The business area also made an acquisition from Kalmar Municipality of the office and industrial premises that the subsidiary Trelleborg Sealing Solutions Kalmar AB previously leased for its operations.

The acquisition of Alpha Engineered Composites was an asset-transfer acquisition, while other acquisitions carried out in 2021 refer to 100 percent of the shares in the respective companies.

Business combinations during the year contributed SEK 114 M to net sales.

Goodwill of SEK 162 M that arose from acquisitions during the year mainly relates to synergies that are anticipated after the completion of the acquisitions. The fair value of acquired identifiable intangible assets is provisional pending the final valuation of these assets.

For further information concerning the acquisitions, refer to page 21.

## 2020

No acquisitions were carried out in 2020.

## Operating assets and liabilities

### 15 Property, plant, and equipment (PPE)

#### 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 annual 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.

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.

#### Property, plant, and equipment

SEK M	2021	2020
Buildings	2,800	2,815
Land and land improvements	1,074	1,069
Plant and machinery	4,412	4,290
Equipment, tools, fixtures and fittings	613	639
New construction in progress and advance payments	1,101	1,255
<b>Total PPE</b>	<b>10,000</b>	<b>10,068</b>
Right-of-use assets	1,864	1,860
<b>Total</b>	<b>11,864</b>	<b>11,928</b>

For information on Right-of-use assets, see Note 16.

#### PPE by operating segment

SEK M	2021	2020
Trelleborg Industrial Solutions	2,623	2,449
Trelleborg Sealing Solutions	2,873	2,354
Trelleborg Wheel Systems	4,065	3,848
Group activities	439	1,417
<b>Continuing operations</b>	<b>10,000</b>	<b>10,068</b>
Assets held for sale	477	–
<b>Group</b>	<b>10,477</b>	<b>10,068</b>

#### Depreciation of PPE by function

SEK M	2021	2020
Cost of goods sold	–807	–900
Selling expenses	–36	–45
Administrative expenses	–57	–65
Research & development costs	–36	–38
Other operating expenses	–6	–8
<b>Total</b>	<b>–942</b>	<b>–1,056</b>

#### Impairment of PPE by function

SEK M	Impairment losses		Reversed impairment losses	
	2021	2020	2021	2020
Cost of goods sold	–3	–8	–	2
Administrative expenses	–8	–1	–	–
Other operating expenses	–1	–25	5	17
Items affecting comparability	–49	–46	–	–
<b>Total</b>	<b>–61</b>	<b>–80</b>	<b>5</b>	<b>19</b>

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated cost	5,616	5,743	1,152	1,136	15,927	16,037	2,725	2,805	1,147	1,305	26,567	27,026
Accumulated depreciation according to plan	–2,622	–2,797	–43	–52	–11,191	–11,200	–2,094	–2,148	–	–	–15,950	–16,197
Accumulated impairment losses	–194	–131	–35	–15	–324	–547	–18	–18	–46	–50	–617	–761
<b>Carrying amount</b>	<b>2,800</b>	<b>2,815</b>	<b>1,074</b>	<b>1,069</b>	<b>4,412</b>	<b>4,290</b>	<b>613</b>	<b>639</b>	<b>1,101</b>	<b>1,255</b>	<b>10,000</b>	<b>10,068</b>
Balance, January 1	2,815	3,135	1,069	1,178	4,290	5,053	639	731	1,255	1,052	10,068	11,149
Reclassification to Assets held for sale	–350	–	–120	–	–203	–	–51	–	–160	–	–884	–
Acquisitions	156	–	36	–	31	–	0	–	–	–	223	–
Divested operations	–	–29	–	–5	–	–26	–	–2	–	–	–	–62
Capital expenditures	8	16	1	58	153	110	68	55	1,060	867	1,290	1,106
Divestments and disposals	–130	–80	–41	–84	–13	–18	–3	–4	–3	–3	–190	–189
Depreciation according to plan for the year	–161	–183	–5	–5	–626	–691	–150	–177	–	–	–942	–1,056
Impairment losses for the year	–1	–2	–	–	–23	–40	–10	–2	–27	–36	–61	–80
Reversed impairment losses	0	17	–	–	3	2	1	–	1	–	5	19
Reclassifications	279	221	77	8	578	219	93	80	–1,074	–527	–47	1
Translation difference for the year	184	–280	57	–81	222	–319	26	–42	49	–98	538	–820
<b>Carrying amount</b>	<b>2,800</b>	<b>2,815</b>	<b>1,074</b>	<b>1,069</b>	<b>4,412</b>	<b>4,290</b>	<b>613</b>	<b>639</b>	<b>1,101</b>	<b>1,255</b>	<b>10,000</b>	<b>10,068</b>

## 16 Leases

### Accounting policies

The Group's lease portfolio mainly comprises leases for offices, production premises, warehouses, company cars, and production and office equipment. The most important leases pertain to rent of offices and production premises.

The Group assesses whether a contract is, or contains, a lease at the commencement date. The Group recognizes a right-of-use asset and a corresponding lease liability for all leases for which the Group is the lessee, except for short-term leases (leases with a maximum term of 12 months) and for leases in which the underlying asset is of low value. For leases that meet the criteria of exemption rules, the Group recognizes lease payments over the term of the lease. The lease liability is initially recognized at the present value of the future lease payments that have not been paid at the starting date of the lease, discounted by an incremental borrowing rate that is set quarterly at Group level by country. Lease payments that are included in the measurement of the lease liabilities comprise the following:

- fixed payments, less any benefits in conjunction with the signing of the lease to be obtained,
- variable lease payments that depend on an index or a rate, initially measured using the index or price on the commencement date,
- amounts expected to be paid by the lessee according to residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- penalties arising from the termination of the lease if the term reflects that the lessee will exercise the option to terminate the lease.

For leasing of offices and production premises with an original term of ten years for production premises and five or more years for office premises, the non-cancelable period is not normally assumed to be the same as the period stated in the lease. If the

term of the lease is less than the period stated above, an assessment must be made of whether any options for extending the lease will be exercised. Circumstances affecting the assessment include, for example, any investments that the lessee has made in the property. For all other leases, the Group has assumed that no leases will be extended.

Lease liabilities are included on the lines for interest-bearing liabilities in the statement of financial position and are recognized in subsequent periods by the liability being increased to reflect the effect of interest and reduced to reflect the effect of lease payments made. Lease liabilities are restated by a corresponding adjustment of the right-of-use asset in accordance with the rules contained in the standard.

The right-of-use asset is initially recognized at the value of the lease liability, with the addition of lease payments made on or before the initial date of the lease and initial direct payments. The right-of-use asset is recognized in subsequent periods at cost less depreciation and impairment. If the Group incurs obligations for the dismantling of a leased asset, remediation of land, or restoration and renovation of an asset to the state agreed in the contract, a provision is recognized for such obligations in accordance with IAS 37. Such provisions are included in the cost of the right-of-use asset insofar as they are not connected with the production of inventory. Right-of-use assets are depreciated over their anticipated useful life, or if it is shorter, over the agreed lease term.

If a lease transfers ownership rights at the end of the lease term or if the cost includes the probable exercise of a call option, the right-of-use asset is depreciated over its useful life. Amortization commences on the start date of the lease. Right-of-use assets are included on the line for PPE in the statement of financial position. The Group applies the principles in IAS 36 for the impairment of right-of-use assets and recognizes this in the same manner as described in the policies for property, plant, and equipment recognized in accordance with IAS 16. Variable lease payments that do not depend on an index or rate are not included in the measurement of lease liabilities and right-of-use assets. Such lease payments are recognized as a cost in EBIT in the periods as they arise. The Group applies a practical exemption that entails that service components are not separated from the lease payments for leases that do not pertain to asset classes for office and production premises, unless this is specifically stated in the invoice.

### Right-of-use assets per type of lease

SEK M	Properties		Office premises		Cars		Trucks		Machinery		Other		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Balance, January 1	1,042	1,210	658	758	99	119	46	49	6	8	9	13	1,860	2,157
Reclassification to Assets held for sale	-16	-	-12	-	-4	-	-2	-	-4	-	-	-	-38	-
Acquisitions	13	-	5	-	0	-	0	-	-	-	-	-	18	-
Divested operations	-	-	-	-	-	0	-	0	-	-	-	0	-	0
Capital expenditures	181	118	25	107	58	61	14	19	3	3	5	9	286	317
Depreciation	-216	-223	-111	-121	-61	-68	-16	-19	-1	-5	-3	-3	-408	-439
Revaluations	61	29	32	2	18	0	2	0	1	0	2	0	116	31
Termination <sup>1</sup>	-52	-15	-6	-43	-3	-5	0	0	-	-	-	0	-61	-63
Translation difference for the year	100	-77	-7	-45	4	-8	1	-3	0	0	-7	-10	91	-143
<b>Carrying amount</b>	<b>1,113</b>	<b>1,042</b>	<b>584</b>	<b>658</b>	<b>111</b>	<b>99</b>	<b>45</b>	<b>46</b>	<b>5</b>	<b>6</b>	<b>6</b>	<b>9</b>	<b>1,864</b>	<b>1,860</b>

<sup>1</sup> Included on the line impairment of property, plant, and equipment in the consolidated cash-flow statements.

Right-of-use assets are included on the line property, plant, and equipment in the balance sheet.

### Amounts recognized in balance sheet

#### Lease liability recognized in balance sheet

SEK M	2021	2020
Current liabilities	376	369
Non-current liabilities	1,700	1,680
<b>Total</b>	<b>2,076</b>	<b>2,049</b>

Lease liabilities are included on the lines interest-bearing current and non-current liabilities in the balance sheet.

### Amounts recognized in profit and loss

SEK M	2021	2020
Depreciation of right-of-use assets	408	423
Interest expenses for lease liabilities	66	74
Expenses attributable to short-term leases	12	9
Expenses attributable to low-value leases	12	12
Expenses attributable to variable lease payments	30	26

The total cash flow from leases during the year was SEK 467 M (476), of which SEK 401 M (401) referred to operating cash flow and SEK 66 M (75) to financing cash flow.

### Future lease payments

SEK M	2021	2020
Year 1	334	420
Years 2–5	831	1,080
Later than 5 years	703	819
<b>Total</b>	<b>1,868</b>	<b>2,319</b>

### Leases that have not yet commenced

The expected cash outflow for 2022 for leases that have not yet commenced as per December 31, 2021 amounted to SEK 31 M (18).

## 17 Intangible assets

### Accounting policies

Intangible assets primarily comprise goodwill and patents, trademarks, 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 or 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 & 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 asset such that it can be utilized or sold,
- management intends to complete the asset and utilize or sell it,
- there are prerequisites in place to utilize or sell the asset,
- it can be demonstrated that the 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 asset, and
- the expenditure associated with the 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.

#### Trademarks

The trademarks that are considered to have an indefinite useful life originate from acquisitions. The assessment that the useful life of these trademarks is indefinite is based on the following circumstances:

- The trademarks are regarded as being well established in their respective areas and the Group intends to retain and develop them.
- The trademarks are considered to be of material economic significance as they comprise an integrated part of the product offering to the market by signaling product quality and innovation. Such trademarks are thus deemed to influence the pricing and competitiveness of the products.

Through their connection to ongoing business activities, they are therefore considered to have an indefinite useful life and are expected to be used as long as relevant business operations are being conducted.

Because it has been assessed that the cash flows attributable to the trademarks cannot be separated from other cash flows within the respective cash-generating units, a joint impairment test of both goodwill and trademarks is conducted by estimating the recoverable amount for the cash-generating units to which the goodwill and trademarks are allocated.

#### Other intangible assets

Other intangible assets include externally acquired assets, such as capitalized IT expenditure, patents, trademarks, and licenses. Assets with a finite useful life are measured at cost less accumulated amortization and impairment losses. These intangible assets are amortized straight-line over their useful life, normally 5 to 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 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. For the Group's three business areas, cash flows after the forecast period were extrapolated using an assumed sustainable rate of growth of 2.0 percent (2.0), 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 of 7.7 percent (7.7) after tax was applied. Since all of these 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 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 8.7 percent after tax, there would still be no need for impairment for any of the Group's business areas.

**Intangible assets**

SEK M	2021	2020
Capitalized expenditure <sup>1</sup>	468	509
Goodwill	18,792	17,867
Trademarks with indefinite useful lives	1,559	1,762
Market and customer-related intangible assets	2,067	2,109
Other intangible assets <sup>2</sup>	296	295
<b>Total</b>	<b>23,182</b>	<b>22,542</b>

<sup>1</sup> Includes capitalized expenditure for development work and IT.

<sup>2</sup> Includes concessions, patents, licenses, trademarks and similar rights, and advance payments related to intangible assets.

**Impairment of intangible assets by function**

SEK M	2021	2020
Other operating expenses	-1	-1
Items affecting comparability	-14	-4
<b>Total</b>	<b>-15</b>	<b>-5</b>

**Intangible assets with indefinite useful lives by operating segment**

SEK M	Goodwill		Trademarks	
	2021	2020	2021	2020
Trelleborg Industrial Solutions	5,228	4,842	201	184
Trelleborg Sealing Solutions	8,056	7,572	-	-
Trelleborg Wheel Systems	5,517	5,399	1,358	1,330
Group activities	-9	54	-	248
<b>Continuing operations</b>	<b>18,792</b>	<b>17,867</b>	<b>1,559</b>	<b>1,762</b>
Assets held for sale	188	-	252	-
<b>Group</b>	<b>18,980</b>	<b>17,867</b>	<b>1,811</b>	<b>1,762</b>

SEK M	Capitalized expenditure		Goodwill		Trademarks with indefinite useful lives		Market and customer-related intangible assets		Other intangible assets		Total intangible assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated cost	1,328	1,301	19,686	20,551	1,570	1,844	3,428	3,292	593	926	26,605	27,914
Accumulated depreciation according to plan	-854	-789	-	-	-	-	-1,189	-912	-296	-626	-2,339	-2,327
Accumulated impairment losses	-6	-3	-894	-2,684	-11	-82	-172	-271	-1	-5	-1,084	-3,045
<b>Carrying amount</b>	<b>468</b>	<b>509</b>	<b>18,792</b>	<b>17,867</b>	<b>1,559</b>	<b>1,762</b>	<b>2,067</b>	<b>2,109</b>	<b>296</b>	<b>295</b>	<b>23,182</b>	<b>22,542</b>
Balance, January 1	509	620	17,867	19,198	1,762	1,851	2,109	2,565	295	253	22,542	24,487
Reclassification to Assets held for sale	-32	-	-63	-	-248	-	-21	-	-16	-	-380	-
Acquisitions	2	6	167	14	-	-	94	-8	-	-	263	12
Divested operations	-	-1	-	-2	-	-	-	-	-	-	-	-3
Capital expenditures	10	15	-	-	-	-	-	-	99	99	109	114
Divestments and disposals	-1	-3	-	-	-	-	-	-	-3	-10	-4	-13
Depreciation according to plan for the year	-102	-109	-	-	-	-	-234	-243	-19	-20	-355	-372
Impairment losses for the year	-3	-1	-12	-3	-	-	-	-1	-	-	-15	-5
Reclassifications	67	13	1	-	-	-	1	-	-66	-14	3	-1
Translation difference for the year	18	-31	832	-1,340	45	-89	118	-204	6	-13	1,019	-1,677
<b>Carrying amount</b>	<b>468</b>	<b>509</b>	<b>18,792</b>	<b>17,867</b>	<b>1,559</b>	<b>1,762</b>	<b>2,067</b>	<b>2,109</b>	<b>296</b>	<b>295</b>	<b>23,182</b>	<b>22,542</b>
<i>Allocation of amortization for the year according to plan, by function</i>												
Cost of goods sold	-36	-35	-	-	-	-	-62	-67	-3	-4	-101	-106
Selling expenses	-6	-7	-	-	-	-	-12	-12	-1	-1	-19	-20
Administrative expenses	-44	-48	-	-	-	-	-11	-12	-13	-13	-68	-73
Research & development costs	0	-1	-	-	-	-	-	-1	-2	-1	-2	-3
Other operating expenses	-16	-18	-	-	-	-	-149	-151	-	-1	-165	-170
<b>Total amortization</b>	<b>-102</b>	<b>-109</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-234</b>	<b>-243</b>	<b>-19</b>	<b>-20</b>	<b>-355</b>	<b>-372</b>

## 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	2021	2020
Raw materials and consumables	1,690	1,337
Work in progress	692	628
Finished products and goods for resale	3,989	3,267
Contracted work in progress	–	8
Advances to suppliers	24	23
<b>Total</b>	<b>6,395</b>	<b>5,263</b>

Impairment of obsolete inventories amounted to SEK 491 M (505). Aside from adjustments for obsolescence, we see no further significant risk for further adjustments.

## 19 Current operating receivables

### Accounting policies

#### Accounts receivable

Accounts receivable are recognized at amortized cost, see Note 31 for additional accounting policies. A reserve for expected credit losses is made in accordance with the simplified approach. This means that a reserve for expected credit losses is recognized for the lifetime of the receivable, which is expected to be less than one year for all receivables below. The size of the reserve 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. The following factors are to be taken into consideration when a reserve is made for an expected credit loss:

- Status quo is expected to continue and comprises a good estimate of the future result, but combined with:
- Important changes in the country in which the counterparty conducts its business (for example, reduction in GDP)
- Important changes in the market (for example, major changes in prices of raw materials or lower sales volumes)
- Important changes in the counterparty's business prospects (for example, changes in profitability)

### Critical estimates and judgments

Based on the above policies, the need for reserves and additional reserves for realized losses is assessed on a case-by-case basis. An assessment is to be made if the total reserve is reasonable in relation to the total outstanding accounts receivable, taking into account past credit losses.

SEK M	2021	2020
Accounts receivable	5,677	5,007
Loss allowance for expected credit losses	–83	–100
Bills receivable	98	112
Operating receivables, associated companies	1	4
Other current receivables <sup>1</sup>	577	441
Derivative instruments (Note 32)	4	1
Prepaid expenses and accrued income (Note 20)	819	785
<b>Total</b>	<b>7,093</b>	<b>6,250</b>

<sup>1</sup> Includes intra-Group receivables with units held for sale.

## Age analysis of accounts receivable

SEK M	2021	2020
Receivable not yet due	4,960	4,382
Receivables fallen due:		
≤30 days	454	371
31–60 days	125	83
61–90 days	32	43
>90 days	106	128
<b>Total</b>	<b>5,677</b>	<b>5,007</b>
Loss allowance for expected credit losses	–83	–100
<b>Total</b>	<b>5,594</b>	<b>4,907</b>

## Loss allowance for expected credit losses

SEK M	2021	2020
Opening balance	100	115
Reclassification to Assets held for sale	–22	–
Reclassification between balance accounts	–1	0
New provisions recognized in profit and loss	25	42
Utilization of reserve attributable to identified credit loss	–16	–31
Reversals recognized in profit and loss	–10	–11
Acquisitions/divestments	1	–3
Translation difference	6	–12
<b>Total</b>	<b>83</b>	<b>100</b>

## 20 Prepaid expenses and accrued income

SEK M	2021	2020
Interest	5	2
Pension costs	7	6
Tools	25	18
Derivative instruments (Note 32)	29	47
Accrued but not invoiced income, projects in progress	396	412
Prepaid insurance	55	47
Rents	29	32
Other	273	221
<b>Total</b>	<b>819</b>	<b>785</b>

During the year, the method used for project reporting was modified, which impacts the comparison between the years for the balance accounts in question.

## 21 Accrued expenses and prepaid income

SEK M	2021	2020
Interest	16	24
Wages and salaries	1,086	812
Payroll overheads	138	119
Pension costs	11	14
Tools	16	12
Derivative instruments (Note 32)	5	2
Invoiced but not accrued income, projects in progress	59	262
Accrued expenses, projects	131	–
Other overheads	185	160
Other	642	581
<b>Total</b>	<b>2,289</b>	<b>1,986</b>

During the year, the method used for project reporting was modified, which impacts the comparison between the years for the balance accounts in question.

## 22 Contract assets and contract liabilities

### Accounting policies

A contract asset is recognized when the Trelleborg Group has delivered products/ services to a customer and recognized income, but has not yet invoiced the customer. A contract liability is recognized when the Trelleborg Group has received or will receive payment but, has not yet delivered the products/services to the customer. Income is recognized when control of the product/service has been transferred to the customer.

### Impairment of financial assets recognized at amortized cost

The impairment model is applied to contract assets and loss allowance is conducted using an estimate of anticipated losses over the asset's expected useful life. No provision for contract assets was recognized during the year, since the amount was not deemed to be material. The Group tests the need for impairment on a continuous basis and at the end of every reporting period.

### Contract assets <sup>1</sup>

SEK M	2021	2020
Contracted work in progress	353	400
Other contract assets	43	20
<b>Total</b>	<b>396</b>	<b>420</b>

<sup>1</sup> Contract assets are included in Inventories, Note 18, in Prepaid expenses and accrued income, Note 20, and in Other non-current receivables, Note 27.

The variation between the years in relation to contract assets and contract liabilities is due to the volume of projects for the respective years, and the fact that two companies with large projects were divested during the year.

During the year, the method used for project reporting was modified, which impacts the comparison between the years for the balance accounts in question.

### Contract liabilities <sup>2</sup>

SEK M	2021	2020
Advance payment from customers	244	126
Contracted work in progress	46	247
Other contract liabilities	9	15
<b>Total</b>	<b>299</b>	<b>388</b>

<sup>2</sup> Contract liabilities are included in the items Accrued expenses and prepaid income and advance payments from customers, Note 21, and in Non-interest-bearing liabilities, Note 23.

Amounts recognized as income during the reporting period and included in contract liabilities at the start of the period.

SEK M	2021	2020
Advance payment from customers	132	95
Contracted work in progress	263	79
Other contract liabilities	9	23
<b>Total</b>	<b>404</b>	<b>197</b>

SEK M	2022	>2022
Remaining liability to be recognized as income	228	71
<b>Total</b>	<b>228</b>	<b>71</b>

Total transaction price distributed between unsatisfied performance obligations on the closing date.

SEK M	2022	2023	>2023	Total
Contracts longer than 12 months	39	78	176	293
<b>Total</b>	<b>39</b>	<b>78</b>	<b>176</b>	<b>293</b>

## 23 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	2021	2020
Other non-interest-bearing liabilities	84	26
Derivative instruments (Note 32)	118	246
<b>Total</b>	<b>202</b>	<b>272</b>

## Other current liabilities

SEK M	2021	2020
Advance payment from customers	169	126
Accounts payable	4,002	3,067
Bills payable	5	8
Liabilities to associated companies	1	1
Other non-interest-bearing liabilities <sup>1</sup>	636	745
Derivative instruments (Note 32)	60	54
Accrued expenses and prepaid income (Note 21)	2,289	1,986
<b>Total</b>	<b>7,162</b>	<b>5,987</b>
<b>Total non-interest-bearing liabilities</b>	<b>7,364</b>	<b>6,259</b>

<sup>1</sup> Includes intra-Group liabilities with units held for sale.

## 24 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	
	2021	2020	2021	2020	2021	2020
Opening balance	119	201	353	394	472	595
Reclassification to Liabilities held for sale	-9	0	-37	0	-46	0
Reclassification	-	2	17	-14	17	-12
Reversals	-2	-16	-70	-26	-72	-43
Provisions for the year	50	80	219	162	269	237
Acquisitions for the year	-	-	-	-	-	0
Divestments for the year	-	-1	-	0	-	-1
Utilized during the year	-59	-131	-70	-140	-129	-265
Translation difference	4	-16	17	-23	21	-39
<b>Closing balance</b>	<b>103</b>	<b>119</b>	<b>429</b>	<b>353</b>	<b>532</b>	<b>472</b>
Of which, non-current provisions					152	149
Of which, current provisions					380	323
Of which, provisions for environmental commitments					49	53

Closing balances for restructuring programs relate to reorganizations and the focusing of operations in the business areas.

Closing balances for other provisions relate primarily to environmental commitments and guarantee provisions.

## 25 Discontinuing operations and Assets and Liabilities held for sale

### Accounting policies

The Group classifies non-current assets or a disposal group as being held for sale if its carrying amount will be recovered mainly through its divestment and not through its continued use. To meet this requirement, the asset (or disposal group) must be available for immediate sale in its present condition and subject only to such terms and conditions as are normal and customary for the divestment of such assets (or disposal groups). Furthermore, it must be highly likely that the divestment will be carried out. For a divestment to be viewed as highly likely, a plan to sell the asset (or disposal group) must have been decided at the appropriate level of executive management and active work must have commenced to identify a buyer and complete the plan. Furthermore, the asset (or disposal group) must be marketed at a price that is reasonable in relation to its current fair value. In addition, it should be expected that a completed divestment can be recognized within one year from the date of classification. An asset is not depreciated as long as it is classified as held for sale or as long as it is included in a disposal group that is classified as held for sale.

### Income statement for discontinuing operations

SEK M	2021	2020
Net sales	1,886	2,696
Cost of goods sold	-1,487	-2,201
<b>Gross profit</b>	<b>399</b>	<b>495</b>
Selling expenses	-124	-213
Administrative expenses	-117	-174
Research & development costs	-20	-39
Other operating income	4	117
Other operating expenses	-32	-82
Share of profit or loss in associated companies	2	5
<b>EBIT</b>	<b>112</b>	<b>109</b>
Financial income and expenses	-27	-24
<b>Profit before tax</b>	<b>85</b>	<b>85</b>
Income tax	-35	-31
<b>Net profit</b>	<b>50</b>	<b>54</b>

### Effect of discontinuing operations on individual assets and liabilities in the Group

SEK M	2021
Property, plant, and equipment	403
Intangible assets	25
Other non-current assets	0
Inventories	246
Current operating receivables <sup>1</sup>	353
Other current assets	0
Cash and cash equivalents	80
Deferred tax assets/liabilities, net	43
Other non-current liabilities	-165
Current liabilities <sup>1</sup>	-430
<b>Discontinuing operating assets and liabilities, net</b>	<b>555</b>
Purchase consideration received	530
Less: Cash and cash equivalents in the discontinuing operations	-80
<b>Impact on consolidated cash and cash equivalents, discontinuing operations</b>	<b>450</b>

<sup>1</sup> Includes intra-Group receivables/liabilities with units in continuing operations.

### Cash-flow statement for discontinuing operations

SEK M	2021	2020
Cash flow from operating activities	202	90
Cash flow from investing activities	545	50
Cash flow from financing activities	1,097	-49
<b>Total cash flow from discontinuing operations</b>	<b>1,844</b>	<b>91</b>

### Assets and Liabilities held for sale

SEK M	2021
Property, plant and equipment	505
Intangible assets	497
Other non-current assets	106
Inventories	306
Current operating receivables	356
Other current assets	17
Cash and cash equivalents	36
<b>Total assets</b>	<b>1,823</b>
Deferred tax liabilities	151
Other non-current liabilities	56
Current liabilities	375
<b>Total liabilities</b>	<b>582</b>

Trelleborg's Businesses Under Development reporting segment was discontinued during the first quarter of 2021, since its operations have been largely divested or were intended to be divested during the year.

The various parts of the reporting segment were reported as of the interim report for the first quarter of 2021 as Assets held for sale, within Trelleborg Industrial Solutions or in the Group activities item.

For the parts classified as Assets held for sale, three divestments were carried out during the year. The divestments are part of Trelleborg's strategy to focus on selected market segments. The total effect of the divestments had no material impact on the Group's net profit.

Net profit for discontinuing operations amounted to SEK 50 M (54).

**UK offshore oil & gas operation.** During the first quarter of 2021, the Group divested its offshore operation in Skelmersdale in the UK. The operation reported annual sales of approximately SEK 580 M in 2020 and was deconsolidated on March 1, 2021.

**Norwegian offshore oil & gas operation.** During the second quarter of 2021, the Group divested its oil & gas operation in Norway. The operation reported annual sales of approximately SEK 310 M in 2020 and was deconsolidated on June 1, 2021.

**Czech operation in technical rubber products.** During the third quarter of 2021, the Group divested its Czech operation in technical rubber products. The company's main business is located in Nachod in the Czech Republic. The operation reported annual sales of approximately SEK 560 M in 2020 and was deconsolidated on October 1, 2021.

**Group's printing blanket operation.** In addition to the divestments referred to above, an agreement was signed in the fourth quarter of 2021 to divest the Group's printing blanket operation. It is reported as Assets held for sale in the financial statements for 2021. Completion of the transaction is subject to the approval of the relevant authorities. The operation reported annual sales of approximately SEK 1,200 M with an operating margin in line with the Trelleborg Group in 2020. The divestment is expected to be finalized during the first half of 2022.

## Capital structure and financing

### 26 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. For these items classified at amortized cost, the expected credit losses are recognized according to IFRS 9. The Group applies a rating-based method, refer to the Financial credit risk exposure section in Note 33. Expected credit losses are estimated at the total of the probability for payment cancellation, losses on payment cancellation and exposure on payment cancellation. Forward-looking information is also taken into consideration.

SEK M	2021	2020
Current bank investments	781	818
Cash and bank balances	2,679	4,938
<b>Total</b>	<b>3,460</b>	<b>5,756</b>

The fair value of cash and cash equivalents corresponds to the carrying amount less the loss allowance of SEK 1 M. For more information about credit exposure in cash and cash equivalents, see Note 33.

### 27 Financial non-current assets

#### Accounting policies

Financial non-current assets are classified at amortized cost, except for derivative instruments. Financial non-current assets classified at amortized cost are initially measured at fair value with additions for transaction costs, less expected credit losses, and are subsequently measured at amortized cost by applying the effective interest method, less any loss allowance. The gross amount reduced by the loss allowance is recognized in the financial statements. Changes in expected credit losses are recognized in profit and loss.

#### Impairment of financial assets recognized at amortized cost

With respect to expected credit losses, the Group applies impairment according to IFRS 9 as of January 1, 2018. No provision for financial non-current assets was recognized during the year, since the amount was not deemed to be material. The Group tests the need for impairment at the end of every reporting period.

SEK M	2021	2020
Plan assets	2	15
Loan receivables	0	2
Non-current interest-bearing receivables at fair value	0	10
Derivative instruments (Note 32)	7	0
Other non-current receivables	33	35
<b>Total</b>	<b>42</b>	<b>62</b>

Carrying amount corresponds to fair value.

### 28 Interest-bearing receivables

SEK M	2021	2020
Loan receivables	0	0
Derivative instruments (Note 32)	107	221
Current bank investments	7	12
<b>Total</b>	<b>114</b>	<b>233</b>

For reserves for expected credit losses on current bank investments, refer to the description of cash and cash equivalents in Note 26.

### 29 Equity

#### Accounting policies

For accounting policies relating to other reserves, see the relevant parts of the description in Note 32.

#### Specification of other reserves

SEK M	Hedging reserve		Translation reserve		Total	
	2021	2020	2021	2020	2021	2020
Opening balance	-168	-129	550	3,084	382	2,955
<i>Cash-flow hedges, recognized in other comprehensive income</i>						
Fair value of interest rate swaps	123	-83	-	-	123	-83
Transfers to profit and loss, interest rate swaps	11	4	-	-	11	4
Fair value of foreign-exchange forwards	20	33	-	-	20	33
Transfers to profit and loss, foreign-exchange forwards	-33	-3	-	-	-33	-3
<b>Cash-flow hedges, result for the period</b>	<b>121</b>	<b>-49</b>	<b>-</b>	<b>-</b>	<b>121</b>	<b>-49</b>
<i>Tax, recognized in other comprehensive income</i>						
Tax on fair value	-29	16	-	-	-29	16
Tax on transfers to profit and loss	4	-6	-	-	4	-6
<i>Net investments in foreign currency, recognized in other comprehensive income</i>						
Changes for the period attributable to translation of companies after tax	-	-	1,754	-2,994	1,754	-2,994
<i>Hedging of net investments, recognized in other comprehensive income</i>						
Fair value of foreign-exchange forwards	-	-	-192	358	-192	358
Exchange rate effects, liabilities in foreign currencies	-	-	-111	221	-111	221
<b>Hedging of net investments, result for the period</b>	<b>-</b>	<b>-</b>	<b>-303</b>	<b>579</b>	<b>-303</b>	<b>579</b>
Tax on hedging of net investments	-	-	82	-119	82	-119
<b>Closing balance</b>	<b>-72</b>	<b>-168</b>	<b>2,083</b>	<b>550</b>	<b>2,011</b>	<b>382</b>

Accumulated translation differences are recognized from January 1, 2004.

Of transfers from the hedging reserve to profit and loss in 2021, SEK 11 M (4) caused a decline in the Group's financial interest expenses and SEK 33 M caused an improvement in other operating income and operating expenses, respectively (3). These effects are offset by earnings effects from the hedged items. A transfer to profit and loss of the full amount took place due to the hedged item impacting profit and loss. All amounts in the hedging reserve pertain to ongoing hedges. Effects of hedging instruments that have matured remain in the translation reserve.

The Board of Directors proposes a cash dividend of SEK 5.50 per share (5.00), a total of SEK 1,491 M (1,355). Trelleborg AB's share capital at December 31, 2021 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
<b>Total</b>	<b>271,071,783</b>	<b>100.00</b>	<b>527,571,783</b>	<b>100.00</b>

Change in total number of shares	2021	2020
January 1	271,071,783	271,071,783
Change during the year	-	-
<b>December 31</b>	<b>271,071,783</b>	<b>271,071,783</b>

No treasury shares are held.

## 30 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.

The Group has entered into leases in accordance with IFRS 16. Lease liabilities are included on the lines Interest-bearing non-current and current liabilities in the balance sheet. For accounting policies relating to lease liabilities, refer to Note 16.

For accounting policies relating to derivative instruments, refer to Note 32.

### Interest-bearing non-current liabilities

SEK M	2021	2020
Liabilities to credit institutions	7,953	9,006
Other interest-bearing liabilities	13	32
Lease liabilities	1,700	1,680
<b>Total</b>	<b>9,666</b>	<b>10,718</b>

### Interest-bearing current liabilities

SEK M	2021	2020
Liabilities to credit institutions	1,098	4,128
Bank overdraft facilities	14	4
Other interest-bearing liabilities	59	24
Lease liabilities	376	369
Derivative instruments (Note 32)	191	181
<b>Total</b>	<b>1,738</b>	<b>4,706</b>
<b>Total interest-bearing liabilities</b>	<b>11,404</b>	<b>15,424</b>

Financial interest-bearing liabilities, except financial derivatives that adjust the loans, are recognized at amortized cost. Changes in interest rates and credit margins create differences between fair value and amortized cost. A calculation at fair value would increase the Group's non-current loans by SEK 103 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 table below shows the currency distribution, average interest rates and fixed-interest terms for the Group's interest-bearing liabilities, including the effect of derivative instruments. Lease liabilities according to IFRS 16 are excluded.

### Average interest and fixed-interest term as per December 31, 2021

	Amount SEK M		Fixed-interest term adjusted for any derivatives, No. of days			
	2021	2020	Effective interest rate, % 2021	Effective interest rate, % 2020	2021	2020
EUR	8,102	8,023	1.3	1.1	630	693
GBP	725	816	1.4	1.4	48	300
SEK	-1,153	1,735	0.5	1.1	-348	349
USD	2,371	2,332	3.1	3.1	629	832
Other	-717	469	2.5	1.5	44	27
<b>Total</b>	<b>9,328</b>	<b>13,375</b>	<b>1.7</b>	<b>1.5</b>	<b>750</b>	<b>625</b>
Lease liability acc. to IFRS 16	2,076	2,049				
<b>Total interest-bearing liabilities</b>	<b>11,404</b>	<b>15,424</b>				

As of 2019, interest-bearing liabilities include a lease liability in accordance with IFRS 16 and interest expenses for the liability are recognized as a financial expense. The most important leases pertain to rent of offices and production premises. Interest rate risk pertaining to these leases are primarily an effect of discounting when the lease is signed and interest rate changes do not govern the actual cash flow linked to the leases. Only a small portion of the lease liability has interest rate risk connected to the leases.

### Group's interest-bearing liabilities

The EUR 412 M and USD 572 M syndicated loan, with final maturity in 2026, and CZK 6,750 M syndicated loan maturing in 2024, are both subject to a financial covenant that stipulates a maximum debt/equity ratio (indebtedness excluding pension liabilities and lease liabilities in accordance with IFRS 16). At year-end 2021, there was ample headroom in relation to these covenants.

### The Group's interest-bearing liabilities (utilized amounts at closing date)

	2021		2020	
	SEK M	Expiry, year	SEK M	Expiry, year
<b>Non-current</b>				
Syndicated loan, USD tranche USD 572 M	1,696	2026	2,213	2025
Syndicated loan, USD tranche USD 53 M <sup>2</sup>	–	–	205	2024
Medium Term Note SEK 1,000 M	1,000	2027	–	–
Medium Term Note SEK 176 M <sup>3</sup>	176	2023	200	2023
Medium Term Note SEK 800 M	800	2025	800	2025
Medium Term Note SEK 626 M <sup>4</sup>	626	2024	750	2024
Medium Term Note SEK 300 M	300	2023	300	2023
Medium Term Note SEK 251 M	–	–	251	2022
Medium Term Note SEK 300 M	–	–	300	2022
Medium Term Note SEK 200 M	–	–	200	2022
Medium Term Note SEK 500 M	–	–	500	2022
Medium Term Note EUR 50 M	511	2029	502	2029
Bilateral money market loan EUR 150 M	1,534	2026	1,506	2026
Schuldscheindarlehen EUR 15 M	153	2027	151	2027
Schuldscheindarlehen EUR 10 M	102	2025	100	2025
Schuldscheindarlehen EUR 77 M	787	2023	773	2023
Schuldscheindarlehen EUR 29 M	297	2026	291	2026
Lease liabilities	1,700	2023–2109	1,680	2022–2109
Capitalized borrowing costs	-29	2023–2029	-36	2022–2029
Other interest-bearing liabilities	13	2023	32	2022
<b>Total non-current</b>	<b>9,666</b>		<b>10,718</b>	
<b>Current</b>				
Commercial paper program	–	–	429	2021
Medium Term Note SEK 98 M <sup>5</sup>	98	2022	–	–
Medium Term Note SEK 300 M	300	2022	–	–
Medium Term Note SEK 200 M	200	2022	–	–
Medium Term Note SEK 500 M	500	2022	–	–
Medium Term Note SEK 502 M	–	–	502	2021
Medium Term Note SEK 550 M	–	–	549	2021
Medium Term Note SEK 450 M	–	–	449	2021
Medium Term Note EUR 50 M	–	–	501	2021
Medium Term Note EUR 45 M	–	–	452	2021
Schuldscheindarlehen EUR 24.5 M	–	–	246	2021
Bilateral money market loan SEK 1,000 M	–	–	1,000	2021
Lease liabilities	376	2022	369	2021
Bank overdraft facilities	14	2022	4	2021
Other interest-bearing liabilities	59	2022	24	2021
Derivative instruments	191	2022	181	2021
<b>Total current</b>	<b>1,738</b>		<b>4,706</b>	
<b>Total</b>	<b>11,404</b>		<b>15,424</b>	

### Loan facilities<sup>1</sup>

SEK M	2021			2020		
	Total	Utilized	Unutilized	Total	Utilized	Unutilized
<b>Committed loan facilities</b>						
Syndicated loan EUR 412 M + USD 572 M (expires 2026) <sup>2</sup>	9,386	1,696	7,690	8,819	2,213	6,606
Syndicated loan EUR 38 M + USD 53 M	–	–	–	816	205	611
Syndicated loan CZK 6,750 M (expires 2024)	2,771	–	2,771	2,586	–	2,586
Revolving loan (expires 2022)	500	–	500	500	–	500
Overdraft facilities (expire 2022)	200	–	200	200	–	200
<b>Total</b>	<b>12,857</b>	<b>1,696</b>	<b>11,161</b>	<b>12,921</b>	<b>2,418</b>	<b>10,503</b>
<b>Non-committed loan facilities</b>						
Bilateral credit facilities	1,534	–	1,534	1,506	–	1,506
Bank overdraft facilities	1,786	14	1,772	1,539	4	1,535
<b>Total</b>	<b>3,320</b>	<b>14</b>	<b>3,306</b>	<b>3,045</b>	<b>4</b>	<b>3,041</b>
<b>Total credit facilities</b>	<b>16,177</b>	<b>1,710</b>	<b>14,467</b>	<b>15,966</b>	<b>2,422</b>	<b>13,544</b>

<sup>1</sup> Loan facilities are defined as committed if they are confirmed in writing and subject to a firm commitment to lend by the facility provider.

<sup>2</sup> EUR 38 M and USD 53 M of the syndicated loan was terminated prematurely in 2021.

<sup>3</sup> SEK 24 M of a Medium Term Note of SEK 200 M with maturity in 2023 was repaid in advance in 2021.

<sup>4</sup> SEK 124 M of a Medium Term Note of SEK 750 M with maturity in 2024 was repaid in advance in 2021.

<sup>5</sup> SEK 152 M of a Medium Term Note of SEK 250 M with maturity in 2022 was repaid in advance in 2021.

## 31 Financial instruments – classification and valuation

### 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. From January 1, 2018, the Group applies the policy of recognizing a loss allowance for financial assets and receivables classified at amortized cost.

Some measurements are conducted according to the effective interest method. The effective interest rate is the rate that, on discounting of all future anticipated cash flows over the expected term, results in the initial carrying amount of the financial asset or the financial liability.

### Classification of financial instruments – financial assets

#### Debt instruments

Classification of financial assets that are debt instruments is based on the Group's business model for the management of the asset and the characteristics of the asset's contractual cash flows.

Instruments are classified at:

- amortized cost
- fair value through other comprehensive income, or
- fair value through profit and loss

Financial assets classified at amortized cost are initially measured at fair value plus transaction costs. Accounts receivable are initially recognized at the invoice amount. After initial recognition, the assets are measured according to the effective interest method. Assets classified at amortized cost are held under the business model of collecting contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets are covered by a reserve for expected credit losses (loss allowance).

The Group does not have any material assets classified at fair value through other comprehensive income or through profit and loss.

Fair value through profit and loss is all other debt instruments that are not measured at amortized cost or fair value through other comprehensive income. Financial instruments in this category are initially measured at fair value. Changes in the fair value are recognized in profit and loss. The Group's debt instruments are classified at amortized cost, except for debt instruments held for trading.

#### Equity instruments

Classified at fair value through profit and loss.

#### Derivatives

Classified at fair value through profit and loss except if they are classified as hedging instruments in cash-flow hedges or hedges of net investments in foreign operations when the effective portion of the hedge is then recognized in "Other comprehensive income."

### Classification of financial instruments – financial liabilities

#### Debt instruments

Classified at amortized cost except for derivatives. Financial liabilities recognized at amortized cost are initially measured at fair value including transaction costs. After initial recognition, they are measured at amortized cost according to the effective interest method.

#### Derivatives

Classified at fair value through profit and loss except if they are classified as hedging instruments in cash-flow hedges or hedges of net investments in foreign operations when the effective portion of the hedge is then recognized in "Other comprehensive income."

#### Loss allowance for expected credit losses

The Group's financial assets and receivables, except for those classified at fair value through profit and loss, are subject to impairment for expected credit losses.

Impairment for credit losses under IFRS 9 includes forward-looking factors and a loss allowance is established when there is exposure to credit risk, already in connection with initial recognition.

Expected credit losses reflect the present value of all deficits in cash flows attributable to payment cancellations. Expected credit losses reflect an unbiased and probability-weighted amount that considers a range of possible outcomes based on reasonable and supportable forward-looking information.

The modified retrospective approach is applied to accounts receivable. Under this approach, a loss allowance is recognized for the expected lifetime of the receivable or asset. Refer to Note 19.

For other items covered by expected credit losses, a three-stage impairment model is applied. Initially, and on each closing date, a loss allowance is recognized for the next 12 months, or for a shorter period of time depending on the lifetime (stage 1). If there has been a material increase in credit risk since initial recognition, a loss allowance is recognized for the asset's lifetime (stage 2). For assets that are considered to be credit-impaired, lifetime expected credit losses continue to be recognized (stage 3), but interest income is based on the net of the loss allowance. The Group has defined a receivable as credit-impaired if the receivable is more than 90 days overdue for payment or if other factors indicate that the receivable is credit-impaired. A material increase in credit risk is defined as a payment delay of more than 30 days, or a significant reduction in credit rating that no longer entails an investment grade rating.

The measurement of expected credit losses is based on different methods for different types of credit exposure, refer to the description in the relevant note. In general, any significantly credit-impaired assets and receivables are assessed individually, taking into account past, current, and forward-looking information. The measurement of expected credit losses also considered any collateral or other credit enhancement in the form of guarantees. Loss allowances were established for cash and cash equivalents and accounts receivable. The Group writes off assets and receivables when there is no longer any reasonable expectation of receiving any additional payment for the asset or receivable.

The financial assets are recognized in the balance sheet at amortized cost, meaning the net of the gross amount and the loss allowance. Changes in the loss allowance are recognized in profit and loss in EBIT for accounts receivable and as financial expenses or income for other provisions.

The Group's credit exposure is presented in Note 33 and in Note 19.

### Calculation of fair value

The fair value of listed financial instruments is based on the appropriate market quotation on the closing date. For unlisted financial instruments, or if the market of a certain financial asset is not active, the value is determined by applying recognized measurement techniques, whereby the Group makes assumptions that are based on the market conditions prevailing on the closing date. Market rates form the basis for the calculation of fair value of long-term loans. For other financial instruments with no specified market value, the fair value is deemed to correspond to the carrying amount.

### Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are measured at the exchange rate prevailing on the closing date. Exchange rate differences on operating receivables and operating liabilities are included in operating profit (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. Financial assets and liabilities are not netted in the balance sheet.

### Other financial instruments

Accounting policies for the financial instruments not addressed here can be found under the relevant note.

A description of the respective categories and the calculation of fair value is presented under the accounting policies section and under the table below.

**Classification of financial assets**

At December 31, 2021	Assets measured at amortized cost		Assets at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value		Total
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level		
SEK M							
<i>Assets in the balance sheet</i>							
Derivative instruments	–	101	2	46	2		147
Financial non-current assets	35	–		–			35
Accounts receivable	5,594	–		–			5,594
Interest-bearing receivables	7	–		–			7
Cash and cash equivalents	3,460	–		–			3,460
<b>Total</b>	<b>9,096</b>	<b>101</b>		<b>46</b>			<b>9,243</b>

**Classification of financial liabilities**

At December 31, 2021	Liabilities measured at amortized cost		Liabilities at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value		Total
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level		
SEK M							
<i>Liabilities in the balance sheet</i>							
Derivative instruments	–	39	2	335	2		374
Interest-bearing non-current liabilities	7,966	–		–			7,966
Interest-bearing current liabilities	1,112	59	3	–			1,171
Lease liabilities	2,076	–		–			2,076
Accounts payable	4,002	–		–			4,002
<b>Total</b>	<b>15,156</b>	<b>98</b>		<b>335</b>			<b>15,589</b>

**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 and on discounted contractual cash flows. Measurement of interest-rate swaps is based on forward interest rates based on observable Swedish yield curves and discounting of contractual cash flows.

**Measurement techniques used to measure fair values in Level 3**

The financial non-current asset of SEK 10 M recognized at fair value in December last year was repaid in January 2021. Interest-bearing non-current and current liabilities include additional purchase payments according to contract of SEK 0 M (20) and SEK 59 M (20), respectively. An assessment of the most likely outcome has been determined. The present value of this amount has been calculated.

**Disclosures on fair value of borrowing and other financial instruments**

Financial interest-bearing liabilities, except financial derivatives that adjust the loans and additional purchase payments according to contract, are recognized at amortized cost. Changes in interest rates and credit margins create differences between fair value and amortized cost. A calculation at fair value would increase the Group's non-current loans by SEK 103 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.

**Classification of financial assets**

At December 31, 2020	Assets measured at amortized cost		Assets at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value		Total
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level		
SEK M							
<i>Assets in the balance sheet</i>							
Derivative instruments	–	67	2	202	2		269
Financial non-current assets	52	10	3	–			62
Accounts receivable	4,907	–		–			4,907
Interest-bearing receivables	12	–		–			12
Cash and cash equivalents	5,756	–		–			5,756
<b>Total</b>	<b>10,727</b>	<b>77</b>		<b>202</b>			<b>11,006</b>

**Classification of financial liabilities**

At December 31, 2020	Liabilities measured at amortized cost		Liabilities at fair value through profit and loss		Derivatives used for hedging purposes, measured at fair value		Total
	Carrying amount	Carrying amount	Measure-ment level	Carrying amount	Measure-ment level		
SEK M							
<i>Liabilities in the balance sheet</i>							
Derivative instruments	–	174	2	309	2		483
Interest-bearing non-current liabilities	9,038	20	3	–			9,058
Interest-bearing current liabilities	4,156	20	3	–			4,176
Lease liabilities	2,049	–		–			2,049
Accounts payable	3,067	–		–			3,067
<b>Total</b>	<b>18,310</b>	<b>214</b>		<b>309</b>			<b>18,833</b>

**Offsetting of financial derivative instruments**

To limit credit risks in receivables from banks related to derivative instruments, Trelleborg has entered into netting agreements, under ISDA agreements.

The disclosures in the table below include financial assets and liabilities that are subject to legally binding framework agreements on netting or similar agreements that cover financial instruments.

SEK M	At December 31, 2021			At December 31, 2020		
	Financial assets	Financial liabilities	Total	Financial assets	Financial liabilities	Total
Gross amount	147	–374	–227	269	–483	–214
Amount offset	–	–	–	–	–	–
<b>Recognized in balance sheet</b>	<b>147</b>	<b>–374</b>	<b>–227</b>	<b>269</b>	<b>–483</b>	<b>–214</b>
Amounts encompassed by netting agreements	–112	112	0	–142	142	0
<b>Net amount after netting agreements</b>	<b>35</b>	<b>–262</b>	<b>–227</b>	<b>127</b>	<b>–341</b>	<b>–214</b>

## 32 Financial derivative instruments and other hedging 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.

### Hedge accounting

The Group applies hedge accounting according to IFRS 9 for financial instruments intended to hedge future commercial cash flows 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, meaning that an economic relationship is expected to exist by the hedging instrument offsetting changes in fair value or the cash flow of the hedged item. This economic relationship is established mainly through qualitative analysis of critical terms in the hedging relationship. If changes in circumstances affect the hedging relationship such that the critical terms no longer match, the Group uses quantitative methods (the dollar offset method) to evaluate effectiveness. Sources of hedge ineffectiveness are stated below under each type of hedge. The Group determines the hedge ratio between the hedging instrument and the hedge item, based on the hedge ratios existing for the actual hedges. The hedge quote is 1:1 for all of the Group's hedging relationships where hedge accounting is applied.

Changes in the fair value of hedging instruments 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 has secured foreign-exchange forward 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 the 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.

Sources of hedge ineffectiveness include the impact of the parties' credit rating in the measurement of the hedging instrument and not perfectly matching cash flows between the hedging instrument and hedged commercial cash flows. The Group believes that the sources of hedge ineffectiveness are not material given Trelleborg's credit rating and that of its counterparties, and since procedures are in place for reporting and monitoring forecast flows compared with outcomes. The Group normally hedges only a portion of forecast cash flows.

### 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.

Sources of hedge ineffectiveness include the impact of the parties' credit rating in the measurement of the hedging instrument and not perfectly matching cash flows between the hedging instrument and hedged cash flows due to different points in time for determining the reference rate or time of the interest payment. The Group believes that the sources of hedge ineffectiveness are not material given Trelleborg's credit rating and that of its counterparties, and since reference rates and payments are determined at a close point in time.

### Hedging of net investments in foreign operations

The Group makes use of loans in foreign currency and forward contracts as hedging instruments for hedging net investments in foreign subsidiaries. These loans are valued at the exchange rate of the closing date and the forward contracts are measured at fair value. If effective hedging relationships exist, the changes in exchange rates on the loans and the change in the value of the forward contracts, excluding the forward premium, are recognized in other comprehensive income and accumulated in equity, translation reserve. Any inefficiency in the hedging instrument 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.

Sources of hedge ineffectiveness include the risk that the hedged volume in the hedging instrument could exceed the net investment. The Group continuously reconciles the currency exposure in the net investments and hedge accounting is applied to a specific percentage of the total exposure, which is why the risk of ineffectiveness is deemed to be low. Realized exchange rate differences on borrowings and forward contracts are recognized in the cash-flow statement in the section "Financing activities."

### Loans defined as net investments

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. Loans are recognized at the closing rate, with exchange rate differences on these loans recognized in other comprehensive income and cumulated in equity, translation reserve.

Derivative instruments are used mainly to hedge the Group's exposure to fluctuations in exchange rates and interest rates. The Group also uses derivative instruments for proprietary trading within the framework of mandates set by the Board. In cases where available forms of borrowing do not meet the desired structure of the loan portfolio with regard to interest rate and foreign-exchange considerations, various derivative instruments are used.

Currency 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 fixed undertakings of a project-like nature. Calculated future commercial flows are normally not hedged.

Investments in foreign subsidiaries, associated and joint ventures may be hedged. Hedging is effected mainly through corresponding borrowing in the same currency, but may also be secured through forward contracts.

For credit exposure in derivatives, see Note 33.

The table below shows where the Group's financial derivative instruments are recognized in the balance sheet.

SEK M	2021	2020
Financial non-current assets	7	–
Prepaid expenses and accrued income	29	47
Current operating receivables	4	1
Interest-bearing receivables	107	221
<b>Total receivables, financial derivatives</b>	<b>147</b>	<b>269</b>
Other non-current liabilities	118	246
Accrued expenses and prepaid income	5	2
Other current operating liabilities	60	54
Interest-bearing current liabilities	191	181
<b>Total liabilities, financial derivatives</b>	<b>374</b>	<b>483</b>

For credit exposure in derivatives, see Note 33.

SEK M Type and purpose of Group's financial derivative instruments	2021		2020	
	Assets Fair value	Liabilities Fair value	Assets Fair value	Liabilities Fair value
Interest-rate swaps – cash-flow hedging	9	178	–	297
Foreign-exchange forwards – cash-flow hedging	30	5	47	2
Foreign-exchange forwards – net investment hedging	7	152	156	10
Basis swap contracts – financing of subsidiaries	–	–	1	47
Foreign-exchange forwards – financing of subsidiaries	101	39	65	127
<b>Total</b>	<b>147</b>	<b>374</b>	<b>269</b>	<b>483</b>

The nominal amount of interest-rate swaps outstanding totaled SEK 7,810 M (7,363).

### Derivatives with hedge accounting

#### Cash-flow hedging – Interest-rate swaps

In the closing balance of the hedging reserve in equity, SEK –113 M (–247) before tax relates to the fair value of interest-rate swaps.

At unchanged interest and exchange rates, this value will impact earnings by SEK –2 M in 2022, by SEK –15 M in 2023, by SEK –16 M in 2024, by SEK –41 M in 2025, by SEK –46 M in 2026, by SEK 4 M in 2027, and by SEK 3 M in 2028. 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 positive net of SEK 20 M (33).

At unchanged exchange rates, a transfer of SEK 20 M will be made in profit and loss in 2022, 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 33.

If cash-flow hedges related to transaction exposure were valued using exchange rates applicable on December 31, 2020, the fair value would amount to SEK 18 M (43), of which SEK 14 M (43) 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.

### Hedge effectiveness

SEK M Effects of hedge accounting on financial position and profit or loss	Hedging instrument identified in hedging relationships at December 31, 2021			Period – change in fair value for measuring ineffectiveness	
	Nominal amount	Carrying amount	Item in balance sheet	Hedging instruments	Hedged item
<i>Interest-rate swaps – cash-flow hedging</i>					
Interest-rate swaps Nominal amount <sup>1</sup>	–7,810	–113	Financial non-current assets, Other non-current liabilities and Other current operating liabilities	134	134
<i>Foreign-exchange forwards – net investment hedging</i>					
EUR/SEK Nominal amount <sup>1</sup>	–6,422	–125	Interest-bearing receivables and Interest-bearing liabilities	–119	–119
CZK/SEK Nominal amount <sup>1</sup>	–410	–12	Interest-bearing receivables and Interest-bearing liabilities	–53	–53
Other Nominal amount <sup>1</sup>	–815	–8	Interest-bearing receivables and Interest-bearing liabilities	–20	–20
<i>Liabilities – net investment hedging</i>					
EUR liability, nominal amount <sup>1</sup>	–2,045	–2,045	Interest-bearing non-current liabilities	–38	–38
USD liability, nominal amount <sup>1</sup>	–769	–769	Interest-bearing non-current liabilities	–73	–73

<sup>1</sup> Translated to SEK M at exchange rate on closing date.

The hedge quote is 1:1 for all of the Group's hedges. The Group did not recognize any ineffectiveness in profit or loss during the year.

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 20 M before tax. The Group has decided that from autumn 2018 it will normally no longer hedge estimated future commercial flows, which means that exchange-rate fluctuations will immediately impact the Group's earnings instead of affecting the Group's earnings with a delay corresponding to the currency hedges as was previously the case. Major currency exposures related to long-term contracts of a project nature will continue to be hedged in their entirety.

### Maturity analysis of hedging instruments

Hedging instrument identified in hedging relationships at December 31, 2021

SEK M Hedging instruments – hedge accounting applied	Maturity				Total nominal amount
	Within 3 months	3 months – 1 year	1–3 years	3–8 years	
<i>Interest-rate swaps – cash-flow hedging</i>					
Nominal amount <sup>1</sup> (average fixed interest)	–1,445 (0.52)	–181 (2.68)	–3,380 (1.23)	–2,804 (0.65)	–7,810
<i>Foreign-exchange forwards – net investment hedging</i>					
EUR/SEK Nominal amount <sup>1</sup> (average spot rate)	–6,422 (10.03)	–	–	–	–6,422
CZK/SEK Nominal amount <sup>1</sup> (average spot rate)	–410 (0.40)	–	–	–	–410
Other Nominal amount <sup>1</sup>	–815	–	–	–	–815
<i>Liabilities – net investment hedging</i>					
EUR liability, nominal amount <sup>1</sup> (average spot rate)	–	–	–	–2,045 (10.24)	–2,045
USD liability, nominal amount <sup>1</sup> (average spot rate)	–769 (8.88)	–	–	–	–769

<sup>1</sup> Translated to SEK M at exchange rate on closing date.

## Financial risks

### 33 Financial risk management

The information in this note relates to the Group in its entirety, including both continuing operations and Assets and Liabilities held for sale.

In its capacity as a net borrower and through its extensive operations outside Sweden, Trelleborg is exposed to various financial risks, such as financing risk, liquidity risk, interest rate risk, currency risk, and financial credit risk. Trelleborg's Board of Directors has adopted a policy governing how these risks are to be managed and this policy also regulates the delegation scheme for the Group's financial risk management.

The Group's financial administration is centralized to Group Treasury, which ensures that the financial risks are satisfactorily managed, within the scope of the adopted policy, and reports the actual outcome to the Board on a monthly basis.

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.

#### Financing risk and liquidity risk

Financing risk is the risk that the refinancing of maturing loans may become difficult or costly. Liquidity risk refers to the risk of not being able to fulfill payment obligations as they fall due.

#### Policy

Committed credit facilities with a term of at least 12 months must be in an amount equivalent to the Group's gross debt plus a liquidity reserve corresponding to at least 3 percent of consolidated net sales. The average remaining weighted tenor of committed credit facilities must also never be less than 18 months.

#### 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 412 M (SEK 4,213 M) and USD 572 M (SEK 5,173 M). This facility also includes a swingline facility denominated in SEK. In 2021, EUR 38 M and USD 53 M of the same facility was discontinued prematurely. On account of Trelleborg's significant presence in the Czech Republic, there is also a syndicated facility in CZK. Trelleborg is present in the money markets through its SEK 5,000 M Domestic Commercial Paper Program. Over the years, Trelleborg has successfully tapped the debt capital markets through issuance under its SEK 8,000 M Swedish Domestic Medium Term Note Program and a number of Schuldschein issues, thus building a broad investor base.

The Group monitors its liquidity reserve, debt maturity term structure, and key financial ratios on an ongoing basis.

Throughout 2021, the volume of the Group's committed credit facilities exceeded the aggregate of gross debt plus the liquidity reserve as stipulated in the policy. Credit facilities are defined as committed when they are subject to a firm lending commitment by the lender. Trelleborg's committed credit facilities totaled SEK 12,857 M (12,921) as per December 31, 2021, of which SEK 11,161 M (10,503) was unutilized. At year-end 2021, the Group's primary committed credit facility was the EUR 412 M and USD 572 M syndicated multicurrency revolving credit facility. This facility was entered into in February 2019 and will mature in February 2026. The facility is provided by a total of 12 financial institutions from Europe, Asia, and the US. Based on the number of participating banks and their status, Trelleborg deems that the banking syndicate behind the facility is strong. The facility denominated in CZK amounts to CZK 6,750 M and will mature in May 2024.

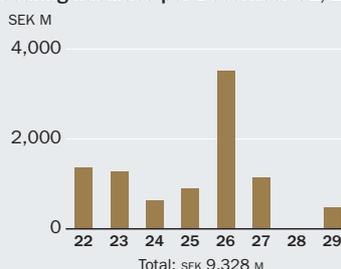
The remainder of the Group's committed credit facilities as per end of 2021 consisted principally of Medium Term Notes and Schuldscheindarlehen with remaining tenors to maturity of up to eight years.

In 2021, Trelleborg established a green framework under its MTN program, which enables the issuance of green bonds. On September 1, 2021, Trelleborg issued a green bond for a nominal amount of SEK 1,000 M and with a tenor of 5.5 years. In conjunction with the issue, Trelleborg also carried out a partial repurchase of three of its previously issued bonds: a nominal SEK 24 M of the MTN with final maturity in 2023 and original amount of SEK 200 M, a nominal SEK 124 M of MTN with final maturity in 2024 and an original amount of SEK 750 M, and a nominal SEK 152 M of the MTN with final maturity in 2022 and original amount of SEK 250 M.

Including the lease liability according to IFRS 16 of SEK 2,102 M (2,049) and pension liability of SEK 549 M (618), interest-bearing liabilities amounted to SEK 11,978 M (16,042) as per December 31, 2021. Excluding the impact of the lease liability and pension liabilities, interest-bearing liabilities totaled SEK 9,328 M (13,375) and comprised current liabilities (maturing in 2022) of SEK 1,362 M (4,337) and non-current liabilities (maturing after 2022) of SEK 7,966 M (9,038). Current liabilities comprised primarily MTN of SEK 1,098 M (2,453). These current liabilities was backstopped through the undrawn portion of the Group's EUR 412 M and USD 572 M syndicated multicurrency revolving credit facility. Non-current liabilities mainly

comprised the utilized portion of the Group's EUR 412 M and USD 572 M syndicated multicurrency revolving credit facility, MTNs, Schuldscheindarlehen, and a bilateral money market loan. The maturity term of the Group's interest-bearing liabilities, excluding the lease liability according to IFRS 16 and pension liabilities, as per December 31, 2021 is shown in the diagram below:

Maturity term structure of the Group's interest-bearing liabilities per December 31, 2021



The Group's net debt/equity ratio, excluding the lease liability according to IFRS 16 and pension liabilities, amounted to 17 percent (25) 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.

#### Interest rate risk attributable to IFRS 16 Leases

The lease liability is initially recognized at the present value of the future lease payments that have not been paid at the starting date of the lease, discounted by a borrowing rate. The discount rate is established for each country every quarter at Group level, starting from a base rate plus a margin.

The Group's lease portfolio mainly comprises leases for offices, production premises, warehouses, company cars, and production and office equipment. The most important leases pertain to rent of offices and production premises. Interest-rate risk pertaining to these leases are primarily an effect of discounting when the lease is signed and interest-rate changes do not govern the actual cash flow linked to the leases. Only a small portion of the lease liability has interest-rate risk connected to leases.

#### 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 on a maximum amount of SEK 2,000 M, or the equivalent amount in other currencies.

The Group does not hedge interest-rate risk for lease liabilities recognized in accordance with IFRS 16.

#### 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.

Net debt at year-end 2021/2022 amounted to SEK 8,367 M (10,026). The closing net debt was impacted by net cash flow for the year, negative exchange-rate differences and cash flow for leases in accordance with IFRS 16 and pension liability. Excluding the lease liability according to IFRS 16 of a negative SEK 2,102 M (neg: 2,049) and pension liability of a negative SEK 548 M (neg: 603), net debt amounted to SEK 5,717 M (7,374).

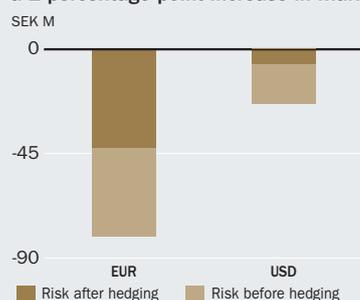
Excluding the impact of leases recognized in accordance with IFRS 16 and pension liabilities, the Group's average interest-bearing net debt was SEK 6,853 M (10,358) for the year. Net financial items corresponded to 1.9 percent (2.0) of the average interest-bearing net debt. Net interest income, excluding borrowing costs, exchange-rate differences and measurements at fair value, corresponded to 1.8 percent (2.0).

Including the impact of leases in accordance with IFRS 16 and pension liabilities, the average interest-bearing net debt was SEK 9,549 M (13,235). Net financial items corresponded to 2.1 percent (2.2) and net interest income, excluding borrowing costs, exchange rate differences, and measurements at fair value, corresponded to 2.1 percent (2.2). Excluding the impact of leases in accordance with IFRS 16 and pension liabilities,

gross loans at year-end had an average fixed-interest term of 25 months (21) and interest-bearing investments 0.5 months (1). At December 31, 2021, interest-bearing net debt amounted to SEK 5,717 M (7,374), with an average remaining fixed-interest term of about 41 months (38). Based on the level of interest-bearing net debt on December 31, 2021, a 1 percentage point rise in market interest rates in all currencies in which the Group has loans or investments would have a positive impact on financial net of approximately SEK 2 M (neg: 12) for 2022. The positive effect is because the interest-bearing investments are larger than the unhedged component of the interest-bearing liability. The currencies with the greatest impact are EUR and USD. Taking into account the interest-rate hedges in place at year-end 2022/2023, 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 119 M (148) after tax effects.

For further analysis of the accounting of the Group's borrowing, see Note 30. Outstanding interest-bearing investments are recognized in Notes 26, 27 and 28.

#### Impact in 2022 on consolidated interest expenditure of a 1 percentage point increase in market interest rates



#### Foreign-exchange risk

Foreign-exchange risk relates 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 risk exists in the form of transaction and translation risks.

#### Transaction risk

##### Risk

Currency flows arising primarily in connection with the purchase 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

Transaction exposure linked to the recurring business is normally not hedged. Nevertheless, major currency exposures related to long-term contracts of a project nature will be hedged in their entirety. Group Treasury works actively on matching currency flows at Group level to minimize the currency exposure and related transaction costs.

##### Commentary

The Group's net currency flows are estimated at an annual value corresponding to approximately SEK 8,256 M (4,382). The currencies with the highest net flows that are expected to exceed the equivalent of SEK 250 M over a period of 12 months, and the amounts hedged per currency pair at December 31, 2021, are shown in the table below.

A 10-percentage-point strengthening of the value of all foreign currency flows that Trelleborg forecasts to occur during 2022 against USD would lead to a change in USD-denominated net flows of a negative USD 4 M (neg: 4). A 10-percentage-point strengthening of the value of all foreign currency flows that Trelleborg forecasts to occur during 2022 against EUR would lead to a change in EUR-denominated net flows of a negative EUR 18 M (neg: 9). A 10-percentage-point strengthening of SEK in relation to all currencies would lead to a change in the total net flows of a negative SEK 75 M (neg: 51).

#### Forecast annual exposure per currency with the highest 12-month net flow and currency hedges as of December 31, 2021 (SEK M)

Currency	Net flow	Currency hedging	Net flow after currency hedging
EUR	2,140	-286	1,854
CZK	-1,093	353	-740
USD	1,080	-129	951
LKR	-855	0	-855
SEK	-746	11	-735
GBP	-345	25	-320
DKK	-288	0	-288

#### Translation risk – Income statement

##### Risk

Exchange-rate fluctuations impact on 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 sales and earnings can be significant. The translation of foreign subsidiaries' income statements for continuing operations, including items affecting comparability, for 2020 to the average exchange rates for 2021 would have negatively impacted EBIT by SEK 164 M and net profit negatively by SEK 146 M. Excluding items affecting comparability, the impact on EBIT would be a negative SEK 168 M and net profit a negative SEK 149 M.

#### Translation of income statement for 2020 to exchange rates applicable in 2021, SEK M

Currency	Net sales	EBIT	Net profit
EUR	-356	-16	-15
GBP	-8	-4	-6
USD	-537	-40	-11
CZK	-5	0	-20
LKR	0	-52	-53
Other	-226	-52	-41
<b>Total</b>	<b>-1,132</b>	<b>-164</b>	<b>-146</b>

#### Translation risk – balance sheet

##### Risk

When translating the Group's investments in foreign subsidiaries to SEK, there is a risk that the consolidated balance sheet will be impacted by changes in exchange rates.

##### Policy

Investments in foreign subsidiaries, associated companies, and joint ventures 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 79 percent of the investment value). Decisions on any hedging are made following a comprehensive assessment of exchange-rate levels, the related 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 consolidated balance sheet will be impacted by changes in exchange rates. The Group has significant net investments in foreign subsidiaries and 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 312 M (neg: 297).

Currency distributions, degree of hedging, and sensitivity analysis are presented on the table below.

#### Currency distributions, degree of hedging and sensitivity analysis as per December 31, 2021

Currency	Net investment, SEK M	Currency hedging, %	Effect on equity, if SEK 1% stronger, SEK M
EUR	17,911	47	-112
GBP	2,047	0	-20
USD	7,681	10	-71
CZK	2,205	19	-19
Other	9,643	8	-90
<b>Total 2021</b>	<b>39,487</b>	<b>26</b>	<b>-312</b>
Total 2020	36,806	30	-297

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

Financial credit risk is the risk of losses if those counterparties with which the Group has invested in accounts receivable, cash and cash equivalents, short-term bank deposits, or entered into financial instruments with positive market values, do not fulfill their obligations. Credit risk relating to accounts receivable is disclosed in Note 19.

**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**

A follow-up in relation to credit limits according to the Treasury Policy is conducted on an ongoing basis. Counterparties have been subdivided into three categories: A, B, and C. The rating categories A, B, and C are also used as the starting point for the reserve for expected credit losses according to the rating method, by basing the probability of payment cancellation per rating category on past studies of payment cancellation conducted by rating institutes. 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) or, 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) or, 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 Group companies require to fulfill their 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, 2021, subdivided by category:

**Financial credit risk exposure**

Category	Interest-bearing receivables		Cash and cash equivalents		Derivative instruments - unrealized gains, gross		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
A	-	-	1,956	4,283	57	11	2,013	4,294
B	7	22	1,314	1,173	55	259	1,376	1,454
C	-	-	227	283	35	-	262	283
<b>Total</b>	<b>7</b>	<b>22</b>	<b>3,497</b>	<b>5,739</b>	<b>147</b>	<b>270</b>	<b>3,651</b>	<b>6,031</b>

At year-end 2021, cash and cash equivalents in category A were allocated among 11 counterparties. Credit exposures in category A amounted to less than SEK 1,000 m per counterparty. At year-end 2021, the total credit exposure in category B was allocated among 26 counterparties. Credit exposures in category B amounted to less than SEK 500 m per counterparty. At year-end 2021, the total credit exposure in category C was allocated among 30 counterparties. Credit exposures in category C amounted to less than SEK 50 m per counterparty, except for one counterparty where the balance was SEK 58 m.

Credit risk exposure associated with derivative instruments is determined as the fair value on the closing date. On December 31, 2021, the total counterparty risk associated with derivative instruments amounted to SEK 147 m (270), 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 35 m (127).

Trelleborg applies a rating-based method according to categories A, B, and C, combined with other known information and forward-looking factors for assessing expected credit losses for cash and cash equivalents and interest-bearing investments. The current reserve amounts to SEK 1 m. All cash and cash equivalents and bank balances are attributable to stage 1, meaning that no material credit impairment has taken place. The Group also makes reserves for expected credit losses on accounts receivable, refer to Note 19.

In addition to the amounts presented in the table above, the Group also has interest-bearing receivables of SEK 0 m (12) due from third parties.

Management does not anticipate any losses due to non-payment by these counterparties.

**Maturity 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, 2021**

SEK M	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	Later than 5 years	Total
Borrowing, incl. interest	-1,247	-2,084	-4,535	-1,685	-9,551
Interest-rate swaps with negative fair value	-52	-49	-4	0	-105
Accounts payable	-4,187	-	-	-	-4,187
<b>Total</b>	<b>-5,486</b>	<b>-2,133</b>	<b>-4,539</b>	<b>-1,685</b>	<b>-13,843</b>
Accounts receivable	5,861	-	-	-	5,861
<b>Net flow</b>	<b>375</b>	<b>-2,133</b>	<b>-4,539</b>	<b>-1,685</b>	<b>-7,982</b>

The Group's liquidity reserve covers financial liabilities maturing within 12 months. A more detailed maturity structure is presented in Note 30.

**At December 31, 2020**

SEK M	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Borrowing, incl. interest	-4,269	-2,675	-4,168	-2,469	-13,581
Interest-rate swaps with negative fair value	-48	-66	-24	0	-139
Accounts payable	-3,067	-	-	-	-3,067
<b>Total</b>	<b>-7,385</b>	<b>-2,740</b>	<b>-4,192</b>	<b>-2,469</b>	<b>-16,787</b>
Accounts receivable	4,907	-	-	-	4,907
<b>Net flow</b>	<b>-2,478</b>	<b>-2,740</b>	<b>-4,192</b>	<b>-2,469</b>	<b>-11,880</b>

The table below shows the Group's financial derivative instruments that will be settled gross, subdivided into the periods remaining on the closing date until the agreed date of maturity. The amounts stated in the table comprise contractual, undiscounted cash flows.

**At December 31, 2021**

SEK M	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Foreign-exchange forwards					
- outflow	-15,288	-16	-	-	-15,304
- inflow	15,235	16	-	-	15,251
<b>Total</b>	<b>-53</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-53</b>

**At December 31, 2020**

SEK M	Less than 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Foreign-exchange forwards					
- outflow	-18,195	-323	-	-	-18,518
- inflow	18,314	337	-	-	18,651
Basis swap contracts					
- outflow	-596	-	-	-	-596
- inflow	550	-	-	-	550
<b>Total</b>	<b>74</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>87</b>

**Other****34 Contingent liabilities and pledged assets**

SEK M	2021	2020
<i>Contingent liabilities</i>		
Guarantees and other contingent liabilities	146	10
<b>Total</b>	<b>146</b>	<b>10</b>
<i>Pledged assets</i>		
Plant and machinery	9	1
<b>Total</b>	<b>9</b>	<b>1</b>

Of the Group's contingent liabilities, the entire amount relates to obligations towards credit institutions.

# PARENT COMPANY

## PARENT COMPANY INCOME STATEMENTS

SEK M	Note	2021	2020
Net sales	35	465	462
Administrative expenses	36, 38, 42, 47	-359	-295
Other operating income	36, 37	3	6
Other operating expenses	36, 37	-294	-268
<b>EBIT</b>		<b>-185</b>	<b>-95</b>
Financial income and expenses	39	4,386	471
<b>Profit before appropriations and tax</b>		<b>4,201</b>	<b>376</b>
Appropriations	56	180	134
Income tax	40	5	-34
<b>Net profit</b>		<b>4,386</b>	<b>476</b>

## Statements of comprehensive income

SEK M	2021	2020
<b>Net profit</b>	<b>4,386</b>	<b>476</b>
<b>Other comprehensive income</b>	<b>-</b>	<b>-</b>
<b>Other comprehensive income, net of tax</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>	<b>4,386</b>	<b>476</b>

## PARENT COMPANY CASH-FLOW STATEMENTS

SEK M	2021	2020
<b>Operating activities</b>		
EBIT	-185	-95
Adjustment for items not included in cash flow:		
Depreciation of property, plant and equipment	2	1
Amortization of intangible assets	6	3
Divestments and disposals	-	-
Other items not included in cash flow	14	-
	<b>-163</b>	<b>-91</b>
Cash dividend received	4,692	820
Interest received and other financial items	0	-
Interest paid and other financial items	-101	-126
Tax paid/received	-2	-36
<b>Cash flow from operating activities before changes in working capital</b>	<b>4,426</b>	<b>567</b>
<b>Cash flow from changes in working capital</b>		
Change in operating receivables	-99	302
Change in operating liabilities	5	-33
<b>Cash flow from operating activities</b>	<b>4,332</b>	<b>836</b>
<b>Investing activities</b>		
Acquisition of subsidiaries/capital contribution	-449	-1,254
Divestment of subsidiaries	100	-
Gross capital expenditures for property, plant and equipment	-1	0
Gross capital expenditures for intangible assets	-2	0
<b>Cash flow from investing activities</b>	<b>-352</b>	<b>-1,254</b>
<b>Financing activities</b>		
Group contributions received	133	72
Group contributions paid	0	-1
Change in interest-bearing liabilities	-2,757	347
Dividend paid – shareholders of the Parent Company	-1,355	-
<b>Cash flow from financing activities</b>	<b>-3,979</b>	<b>418</b>
<b>Cash flow for the year</b>	<b>1</b>	<b>0</b>
<b>Cash and cash equivalents</b>		
Opening balance, January 1	-	-
<b>Cash and cash equivalents, December 31</b>	<b>1</b>	<b>-</b>

## PARENT COMPANY BALANCE SHEETS

December 31, SEK M	Note	2021	2020
<b>ASSETS</b>			
<i>Non-current assets</i>			
Property, plant and equipment	45	11	12
Intangible assets	46	18	22
Financial non-current assets	44, 52	36,865	36,721
Deferred tax assets	41	63	56
<b>Total non-current assets</b>		<b>36,957</b>	<b>36,811</b>
<i>Current assets</i>			
Current operating receivables	48	182	83
Current tax assets		3	3
Interest-bearing receivables	53	181	134
Cash and cash equivalents		1	–
<b>Total current assets</b>		<b>367</b>	<b>220</b>
<b>TOTAL ASSETS</b>		<b>37,324</b>	<b>37,031</b>
<b>EQUITY AND LIABILITIES</b>			
<i>Equity</i>			
<i>Restricted equity</i>			
Share capital		2,620	2,620
Statutory reserve		1,130	1,130
<b>Total restricted equity</b>		<b>3,750</b>	<b>3,750</b>
<i>Non-restricted equity</i>			
Profit brought forward		2,920	3,799
Net profit for the year		4,386	476
<b>Total non-restricted equity</b>		<b>7,306</b>	<b>4,275</b>
<b>Total equity</b>	55	<b>11,056</b>	<b>8,025</b>
<i>Non-current liabilities</i>			
Interest-bearing non-current liabilities	54	0	85
Pension obligations	43	0	0
Other provisions	51	60	45
<b>Total non-current liabilities</b>		<b>60</b>	<b>130</b>
<i>Current liabilities</i>			
Interest-bearing current liabilities	54	26,046	28,718
Other current liabilities	49, 50	162	158
<b>Total current liabilities</b>		<b>26,208</b>	<b>28,876</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>37,324</b>	<b>37,031</b>

## CHANGE IN EQUITY

Equity SEK M	Restricted equity		Non-restricted equity		Total equity	
	2021	2020	2021	2020	2021	2020
Opening balance, January 1	3,750	3,750	4,275	3,799	8,025	7,549
<i>Changes for the year:</i>						
Dividend			–1,355	–	–1,355	–
Net profit for the year			4,386	476	4,386	476
<b>Closing balance, December 31</b>	<b>3,750</b>	<b>3,750</b>	<b>7,306</b>	<b>4,275</b>	<b>11,056</b>	<b>8,025</b>

See also Note 55.

## Sales and earnings

### 35 Net sales per geographic market/country

SEK M	2021	2020
US	100	106
Germany	65	59
Sweden	40	45
Italy	37	41
UK	35	35
Czech Republic	40	31
France	23	24
Other countries	125	121
<b>Total</b>	<b>465</b>	<b>462</b>

Net sales refers to sales of Group-wide services to other Group companies and is broken down by each significant country as outlined above.

### 36 Expenses by nature

SEK M	2021	2020
Employee benefits	-169	-128
Depreciation/amortization	-7	-5
Other external costs	-183	-162
Other operating income/expenses (Note 37)	-291	-262
<b>Total</b>	<b>-650</b>	<b>-557</b>

### 37 Other operating income and expenses

SEK M	2021	2020
Exchange rate differences	3	5
Other	0	1
<b>Total other operating income</b>	<b>3</b>	<b>6</b>
Purchase of services from other Group companies	-235	-188
Exchange rate differences	-2	-5
Other	-57	-75
<b>Total other operating expenses</b>	<b>-294</b>	<b>-268</b>
<b>Total</b>	<b>-291</b>	<b>-262</b>

### 38 Auditor's remuneration

SEK M	2021	2020
<i>Deloitte</i>		
Audit assignment	6	4
Audit activities other than audit assignment	1	1
Other services	0	1
<b>Total</b>	<b>7</b>	<b>6</b>

### 39 Financial income and expenses

SEK M	2021	2020
<i>Income from participations in Group companies</i>		
Dividend	4,692	820
Impairment losses on shares in subsidiaries	-199	-223
Loss/gain on divestment/liquidation of subsidiary	-6	-
<b>Total</b>	<b>4,487</b>	<b>597</b>
<i>Other interest income and similar profit items</i>		
Interest income, Group companies	-	0
Interest income, other	0	0
Exchange rate differences	-	0
<b>Total</b>	<b>0</b>	<b>0</b>
<i>Interest expenses and similar loss items</i>		
Interest expenses, Group companies	-101	-126
Interest expenses, other	0	0
Exchange rate differences	0	-
<b>Total</b>	<b>-101</b>	<b>-126</b>
<b>Total financial income and expenses</b>	<b>4,386</b>	<b>471</b>

### 40 Income tax

SEK M	2021	2020
<i>Current tax expenses</i>		
Tax expenses/revenue for the period	-2	-32
Adjustment of tax attributable to prior years	-	0
<b>Total</b>	<b>-2</b>	<b>-32</b>
<i>Deferred tax expenses/revenue</i>		
Change in losses carried forward	-1	-2
Change in temporary differences	8	0
<b>Total</b>	<b>7</b>	<b>-2</b>
<b>Total recognized tax expense</b>	<b>5</b>	<b>-34</b>
<i>Reconciliation of tax</i>		
Profit/loss before appropriations and tax	4,201	376
Calculated Swedish income tax, 20.6% (21.4)	-865	-80
Non-taxable dividends/income from shares in subsidiaries	965	175
Non-deductible impairment losses	-41	-48
Other non-deductible expenses/Non-taxable revenue	-3	-2
Tax effect of transferred negative net interest income to other Group companies	-19	-27
Tax at source on dividend	-2	-32
Remeasurement of temporary differences	7	0
Group contributions received	-37	-29
Group contributions paid	0	0
Tax attributable to prior years	-	9
Tax effect as share in foreign tax-transparent legal entity	-	0
Impact of changed tax rates and tax regulations	-	0
<b>Total recognized tax expense</b>	<b>5</b>	<b>-34</b>

The applicable tax rate is 20.6 percent (21.4).

### 41 Change in deferred tax

SEK M	Losses carried forward		Provisions		Non-current assets		Total deferred tax assets	
	2021	2020	2021	2020	2021	2020	2021	2020
Balance, January 1	11	13	47	47	-2	-2	56	58
<i>Recognized in profit and loss:</i>								
Change in losses carried forward	-1	-11	-	-	-	-	-1	-11
Tax attributable to prior years	-	9	-	-	-	-	-	9
Temporary differences	-	-	7	0	1	0	8	0
<b>Balance, December 31</b>	<b>10</b>	<b>11</b>	<b>54</b>	<b>47</b>	<b>-1</b>	<b>-2</b>	<b>63</b>	<b>56</b>

See also Note 40.

## Employees

### 42 Employees and employee benefits

#### Average number of employees

	2021			2020		
	Women	Men	Total	Women	Men	Total
<b>Sweden</b>	<b>35</b>	<b>46</b>	<b>81</b>	<b>32</b>	<b>42</b>	<b>74</b>

Gender distribution in executive management positions, %		2021	2020
Percentage of women			
in executive positions			0
on Board of Directors			57
			43

#### Employee benefits, other remuneration and payroll overheads

2021	Other members of Group Management				Total salaries	Payroll overheads	Of which, pension costs
SEK M	Board and President	Other employees	Other employees	Other employees			
<b>Sweden</b>	<b>33</b>	<b>15</b>	<b>55</b>	<b>103</b>	<b>60</b>	<b>20</b>	

See also Note 10.

2020	Other members of Group Management				Total salaries	Payroll overheads	Of which, pension costs
SEK M	Board and President	Other employees	Other employees	Other employees			
<b>Sweden</b>	<b>19</b>	<b>7</b>	<b>51</b>	<b>77</b>	<b>44</b>	<b>19</b>	

See also Note 10.

## Operating assets and liabilities

### 44 Participations in Group companies

SEK M	2021	2020
Opening balance	36,721	35,690
Add:		
Capital contributions	449	1,254
Less:		
Divestment/winding-up	-106	-
Impairment losses	-199	-223
<b>Carrying amount</b>	<b>36,865</b>	<b>36,721</b>

See also Note 13.

### 45 Property, plant and equipment

SEK M	2021	2020
Improvement expenses on buildings owned by others	8	9
Equipment, tools, fixtures and fittings	3	3
<b>Total</b>	<b>11</b>	<b>12</b>

SEK M	Improvement expenses on buildings owned by others		Equipment, tools, fixtures and fittings		Total PPE	
	2021	2020	2021	2020	2021	2020
<b>Accumulated cost</b>						
Balance, January 1	25	25	16	16	41	41
Capital expenditures	-	-	1	0	1	0
Divestments and disposals	-	-	0	-	0	-
<b>Accumulated cost, December 31</b>	<b>25</b>	<b>25</b>	<b>17</b>	<b>16</b>	<b>42</b>	<b>41</b>
<b>Accumulated depreciation according to plan</b>						
Balance, January 1	-16	-15	-14	-14	-30	-29
Divestments and disposals	-	-	0	-	0	-
Depreciation according to plan for the year	-1	-1	-1	-1	-2	-2
<b>Accumulated depreciation, December 31</b>	<b>-17</b>	<b>-16</b>	<b>-14</b>	<b>-14</b>	<b>-31</b>	<b>-30</b>
<b>Carrying amount</b>	<b>8</b>	<b>9</b>	<b>3</b>	<b>3</b>	<b>11</b>	<b>12</b>

### 43 Pension obligations

SEK M	2021	2020
Provisions for pensions and similar obligations	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

Pensions and similar costs amounted to SEK 20 M (19).

Trelleborg AB has entered into leases. Lease costs for assets held via leases are recognized as operating costs and amounted to SEK 3 M (2). Future payments for non-cancellable lease commitments amount to SEK 3 M (2) and fall due as follows:

SEK M	2021	2020
Year 1	1	1
Years 2–5	2	1
<b>Total</b>	<b>3</b>	<b>2</b>

### 46 Intangible assets

SEK M	2021	2020
Capitalized expenditure for IT	18	22
<b>Total</b>	<b>18</b>	<b>22</b>

SEK M	Capitalized expenditure for IT	
	2021	2020
<b>Accumulated cost</b>		
Balance, January 1	50	50
Capital expenditures	2	0
<b>Accumulated cost, December 31</b>	<b>52</b>	<b>50</b>
<b>Accumulated amortization according to plan</b>		
Balance, January 1	-28	-25
Amortization according to plan for the year	-6	-3
<b>Accumulated amortization, December 31</b>	<b>-34</b>	<b>-28</b>
<b>Carrying amount</b>	<b>18</b>	<b>22</b>

### 47 Depreciation of PPE and amortization of intangible assets

SEK M	2021	2020
Improvement expenses on buildings owned by others	-1	-1
Equipment, tools, fixtures and fittings	-1	-1
Capitalized expenditure for IT	-6	-3
<b>Total</b>	<b>-8</b>	<b>-5</b>

**48 Current operating receivables**

SEK M	2021	2020
Operating receivables, Group companies	43	26
Other current receivables	103	14
Prepaid expenses and accrued income	36	43
<b>Total</b>	<b>182</b>	<b>83</b>

**49 Other current liabilities**

SEK M	2021	2020
Accounts payable	38	34
Operating liabilities, Group companies	66	54
Other non-interest-bearing liabilities	4	33
Accrued expenses and prepaid income (Note 50)	54	37
<b>Total</b>	<b>162</b>	<b>158</b>

**50 Accrued expenses and prepaid income**

SEK M	2021	2020
Wages and salaries	33	21
Payroll overheads	11	7
Other	10	9
<b>Total</b>	<b>54</b>	<b>37</b>

**51 Other provisions**

SEK M	2021	2020
Provision for long-term incentive program	9	0
Other provisions	51	45
<b>Total</b>	<b>60</b>	<b>45</b>

**Capital structure and financing****52 Financial non-current assets**

SEK M	2021	2020
Participations in Group companies (Note 13 and Note 44)	36,865	36,721
Other non-current securities holdings	0	0
<b>Total</b>	<b>36,865</b>	<b>36,721</b>

**53 Interest-bearing receivables**

SEK M	2021	2020
Financial receivables, Group companies	181	134
<b>Total interest-bearing receivables</b>	<b>181</b>	<b>134</b>

**54 Interest-bearing liabilities**

SEK M	2021	2020
Other non-current interest-bearing liabilities, Group companies	0	85
Other current interest-bearing liabilities, Group companies	26,046	28,718
<b>Total interest-bearing liabilities</b>	<b>26,046</b>	<b>28,803</b>

**Other****56 Appropriations**

SEK M	2021	2020
<i>Appropriations</i>		
Group contributions received	181	134
Group contributions paid	-1	0
<b>Total appropriations</b>	<b>180</b>	<b>134</b>

**55 Equity**

Trelleborg AB's share capital at December 31, 2021 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
<b>Total</b>	<b>271,071,783</b>	<b>100.00</b>	<b>527,571,783</b>	<b>100.00</b>

See also Note 29.

**Proposed treatment of unappropriated earnings**

	2021
The Board of Directors proposes that the profit brought forward from the preceding year, SEK 000s	2,919,484
and net profit for the year, SEK 000s	4,386,252
<b>Total, SEK 000s</b>	<b>7,305,736</b>
<i>be distributed in the following manner:</i>	
<b>Dividend to shareholders of SEK 5.50 per share, SEK 000s</b>	<b>1,490,895</b>
balance to be carried forward, SEK 000s	5,814,841
<b>Total, SEK 000s</b>	<b>7,305,736</b>

**57 Contingent liabilities and pledged assets**

SEK M	2021	2020
<i>Contingent liabilities</i>		
Pension obligations	0	0
Guarantees and other contingent liabilities	10,196	13,776
<b>Total</b>	<b>10,196</b>	<b>13,776</b>
Of which, on behalf of Trelleborg Treasury AB	9,286	13,398
Of which, on behalf of other subsidiaries	773	378
Of which, to credit institutions	137	-

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 9,081 M (13,173), the fair value of derivative instruments for SEK 191 M (181) and other contingent liabilities for SEK 14 M (43) 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	2,919,484
and net profit for the year, SEK 000s	4,386,252
<b>Total, SEK 000s</b>	<b>7,305,736</b>

be distributed in the following manner:

<b>Dividend to shareholders of SEK 5.50 per share, SEK 000s</b>	<b>1,490,895</b>
balance to be carried forward, SEK 000s	5,814,841
<b>Total, SEK 000s</b>	<b>7,305,736</b>

The proposed record date for the right to a dividend is April 29, 2022.

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 59.3 percent to 58.2 percent and the Parent Company's equity/assets ratio from 29.6 percent to 26.7 percent, calculated on December 31, 2021.

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 17, 2022

Hans Biörck  
*Chairman*

Gunilla Fransson  
*Board member*

Monica Gimre  
*Board Member*

Johan Malmquist  
*Board Member*

Peter Nilsson  
*Board Member and  
President*

Anne Mette Olesen  
*Board Member*

Jan Ståhlberg  
*Board member*

Maria Eriksson  
*Employee representative*

Jimmy Faltin  
*Employee representative*

Lars Pettersson  
*Employee representative*

Audit report submitted February 25, 2022  
Deloitte AB

Hans Warén  
*Authorized Public Accountant*

# 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 1 January – 31 December 2021 except for the corporate governance report on pages 55–65, remuneration report on pages 66–67 and parts of the sustainability report on pages 9 and 38–47. The annual accounts and consolidated accounts of the company are included on pages 8–13, 16–17, 28–35, 38–47, 50–53, 62–65 and 70–116 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 2021 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 2021 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 55–65, remuneration report on pages 66–67 and parts of the sustainability report on pages 9 and 38–47.

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.

### 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 2021, Trelleborg AB (publ) accounts for goodwill in the consolidated balance sheet amounting to SEK 18,792 M. The value of the goodwill is dependent on future income and profitability in the cash-generating units, to which the goodwill refers, and is assessed for impairment at least once a year. Management bases its impairment test on several judgments and estimates, such as growth, EBIT development and cost of capital (WACC) as well as other complex circumstances. Incorrect judgments and estimates may have a significant impact on the group's result and financial position.

Management has not identified any need for impairment for any of the cash-generating units within the group.

For further information, please see note 17 – Intangible assets where it is described how management has performed the impairment test together with important judgments and estimates.

#### Our audit procedures

Our audit included the following procedures, but was not limited to these:

- » Review and assessment of Trelleborg ABs' (publ) procedures and model for impairment tests of goodwill and evaluation of the reasonability of judgments and estimates made, that the procedures are consistently applied and that there is integrity in computations;
- » Verification of input data in calculations including information from business plans for the forecast period approved by the Board of Directors;
- » Test of head room for each cash generating unit by performing sensitivity analyses; and
- » 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 can be found on the pages 1–7, 14–15, 18–27, 36–37, 48–49, 54–61, 66–69 and 120–141. The remuneration report also constitutes other information. 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 informa-

tion, 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.

An additional description of our responsibility for the audit of the annual report and consolidated accounts is available on the Swedish Inspectorate of Auditors website, [www.revisorsinspektionen.se/revisorsansvar](http://www.revisorsinspektionen.se/revisorsansvar). This description forms a part of the Auditor's Report.

## Report on other statutory 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 1 January – 31 December 2021 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.

An additional description of our responsibility for the audit of the administration is available on the Swedish Inspectorate of Auditors website, [www.Revisorsinspektionen.se/revisorsansvar](http://www.Revisorsinspektionen.se/revisorsansvar). This description forms a part of the Auditor's Report.

## The auditor's examination of the ESEF report

### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the ESEF report) pursuant to Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528) for Trelleborg AB (publ) for the financial year 2021-01-01 – 2021-12-31.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report 41a296b4f5efda0b01536bbadee574-121f3233a80f412ea210a707b2e75416f3 has been prepared in a format that, in all material respects, enables uniform electronic reporting.

### Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 *Examination of the ESEF report*. Our responsibility under this recommendation is described in more detail in the *Auditor's responsibility* section. We are independent of Trelleborg AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of the Board of Directors

The Board of Directors are responsible for the preparation of the ESEF report in accordance with the Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors determine is necessary to prepare the ESEF report without material misstatements, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the ESEF report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4a of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the ESEF report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the ESEF report.

The audit firm applies ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the ESEF report has been prepared in a format that enables

uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the ESEF report by the Board of Directors, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the ESEF report, i.e., if the file containing the ESEF report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the ESEF report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the ESEF report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

### The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 55–65 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.

Deloitte AB, 556271-5309, Stockholm, was appointed auditor of Trelleborg AB (publ) by the annual general meeting of shareholders on the 22 April 2021 and has been the auditor of the company since 27 April 2017.

Malmö 25 February 2022  
Deloitte AB

Hans Warén  
Authorized public accountant



**100%**

Trelleborg in Sri Lanka is one of the few tire manufacturers that use 100 percent locally produced natural rubber.

# Committed to improvement

Trelleborg has two facilities in Sri Lanka. Together they employ nearly 1,000 people who every month produce more than 1 million solid and pneumatic tires for forklifts and other material handling equipment, as well as for agricultural and forestry machinery.



**We also have to find alternative ways to improve the productivity and ensure the availability of natural rubber.”**

Sanjay Melvani,  
Managing Director of Trelleborg’s operations in Sri Lanka

**A** major focus is placed on making tire manufacturing more sustainable. Sanjay Melvani is Managing Director of Trelleborg in Sri Lanka.

“Sri Lanka is in many aspects a very good country for manufacturing. Important for us is that we can source all-natural rubber locally,” says Sanjay Melvani. He explains that Trelleborg is one of the few tire manufacturers that actually use 100 percent locally produced natural rubber.

**In Sri Lanka, there are about 134,000 hectares** (331,000 acres) of land under rubber cultivation. A significant proportion is cultivated by smallholders. Trelleborg deals not on a farmer level but through larger suppliers. However, the company is involved in several farm community programs to increase knowledge about productivity and sustainable rubber farming. Trelleborg also gives

financial support to ensure replanting.

“We have also donated rubber tapping knives, which for an outsider might sound a bit strange, but the key in the tapping is the knife. You can either kill the tree or achieve the maximum out of it during its lifetime. That’s why we have reached out to help farmers increase their productivity in this way, as well as by donating rubber plants to sustain availability,” says Sanjay Melvani.

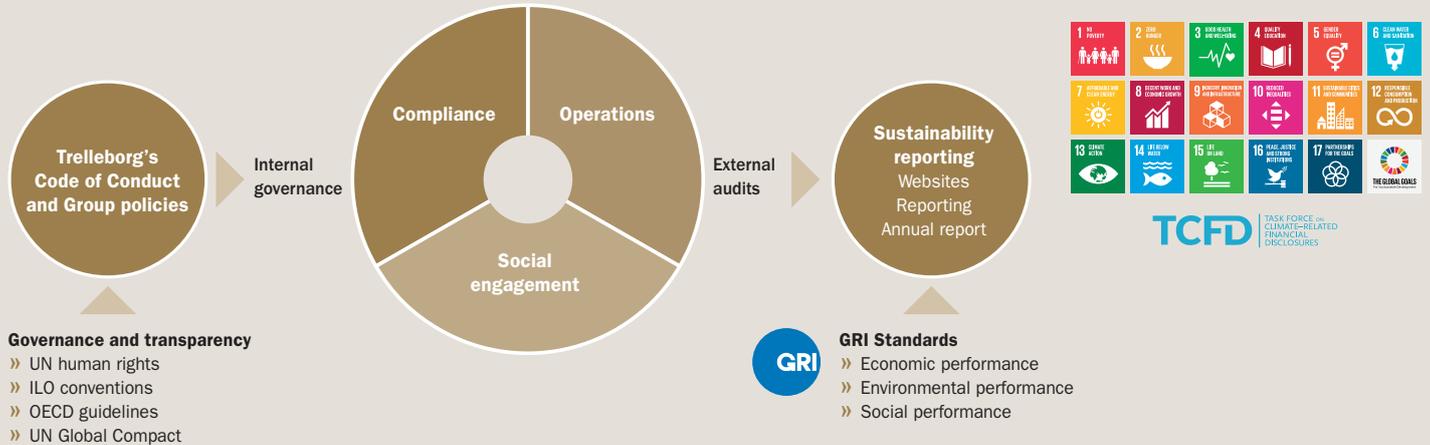
**To build awareness of safety** and the Code of Conduct, Trelleborg also carries out educational programs for its suppliers who source the rubber produced by the farmers.

“In the future we are moving toward a potential shortage of natural rubber, and it’s important to support long-lasting and sustainable rubber production. We also have to find alternative ways to improve the productivity and availability of natural rubber,” concludes Sanjay Melvani. ■

# GOVERNANCE OF SUSTAINABILITY AT TRELLEBORG

The organization and governance of sustainability at Trelleborg were enhanced in 2021 in line with the implementation of the overall “Protecting the Essential” sustainability strategy.

## PROTECTING THE ESSENTIAL



### Enhanced organization and governance 2021

The organization and governance of sustainability at Trelleborg were enhanced in 2021 in line with the implementation of the overall *Protecting the Essential* sustainability strategy, for example, via a series of internal workshops for each focus area and training for the entire organization, including e-learning. Another important step was the introduction of a variable salary portion for Trelleborg management linked to responsibility and planning for sustainability.

Each of the business areas appointed an individual responsible for each sustainability focus area during the year when they presented their sustainability planning to management. Following the more clearly defined responsibilities for sustainability performance and monitoring, sustainability controllers were also appointed at business area level. Each production site already has an environmental coordinator and occupational healthy and safety officers.

As previously, the sustainability steering committee comprises the heads of the Legal, Communications/HR, Excellence/Purchasing staff functions, and from 2021 also the CFO.

Overall sustainability responsibilities have been clarified: The head of Group Legal is responsible for the Compliance focus area, the head of Excellence/Purchasing is responsible for most of the Operations focus area, and the head of Communications/HR is responsible for the Social engagement focus area

and the employee-related part of the Operations focus area.

At Board level, the Audit Committee had previously been assigned to monitor the Group's work with sustainability, including climate issues. From 2021, work on sustainability issues at Board level was expanded so that the entire Board can continuously monitor developments using key figures, examples and case stories for Trelleborg's ongoing sustainability efforts.

The sustainability organization at Group level was strengthened in 2020–2021 with project management for climate activities and an additional number of important development areas. Much of the day-to-day sustainability activities at Group level take place under the framework of Excellent activities, and via a number of cross-organizational groups with dedicated areas of responsibility (see diagram below) and in the Sustainability Forum, a group comprising representatives from the Communications, Legal, Environment, HR, Purchasing and Finance/Treasury functions, and from the Manufacturing Excellence Program.

### Code of Conduct and monitoring

A central pillar of the internal sustainability work is Trelleborg's Code of Conduct (new version launched in 2019, see also page 45) and Group 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. Training in the content of the Code is mandatory for all employees and is to be refreshed at least every three years.

Internal sustainability governance is further supported by various types of internal audits, for example, within the framework of the occupational Safety@Work program and internal ISO 14000 audit.

### Whistleblower Policy

Trelleborg's Whistleblower Policy also supports the sustainability 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.

### External reporting

From 2021, sustainability is a standing item in Trelleborg's interim reports and from 2022 quantitative data will also be presented in the interim reports in the areas of energy, climate and occupational health and safety.

Internal sustainability data collection at Group level was intensified in 2021 and is scheduled to take place four times a year to facilitate future external interim reporting. In addition, the business areas submit monthly internal reports on selected sustainability metrics.

The complete external reporting of sustainability issues is published in Trelleborg's Annual Report and also in the annual, more comprehensive, Sustainability Report. In both cases, reporting is based on the GRI Standards version, Core option. The separate Sustainability Report contains detailed descriptions and an index to clarify exactly how the report follows the GRI guidelines and the TCFD's recommendations. The annual Sustainability Reports also serve as Trelleborg's annual Communication on Progress (COP) reports for the UN Global Compact.

In addition, there is a supplementary index that considers Trelleborg's operations relative to the UN SDGs, see pages 124–126.

Furthermore, there is a Sustainability section under *About Us* on Trelleborg's website [www.trelleborg.com](http://www.trelleborg.com), from where Annual and Sustainability Reports can be downloaded, including those published in previous years.

## ORGANIZATION.



# STAKEHOLDER ENGAGEMENT FOCUSING ON THE ESSENTIAL

The pandemic no longer disrupted Trelleborg in carrying out and developing stakeholder engagement in 2021, and more activities could be performed than the year before.

## Trelleborg's stakeholder engagement 2021

Engagement remained dominated by the key group "Shareholders and investors" with higher activity in the banking sector, and was stimulated by new elements, such as the new EU Taxonomy (refer to page 130), and Trelleborg's first issue of a green bond in August 2021 (refer to page 10). Activities among customers also increased with a high number of and more detailed surveys and questionnaires in the area.

Other areas that were mainly highlighted by the various stakeholders during the year were:

- » The company's handling of climate change, including achieving climate targets (see pages 24–25, 39 and 131)
- » Circularity in materials handling and business models (see pages 24–25 and below)
- » Management of sustainability-related risk, including various types of climate risks (see below and pages 53, 124–125, and 129)

See also the overview of *Common questions in stakeholder engagement* below.

## Materiality: Evaluation/analysis and new model

Trelleborg's overall priorities for its sustainability activities were, as usual, evaluated. In October 2021, exercises were again conducted with about 40 students from Örebro University from the master's program in *Sustainable business*, where they evaluated the content of Trelleborg's latest Sustainability Report from the perspective of various key stakeholder groups. This took place as three-day workshops when the students were introduced to the report and then commented on and criticized the report. Common areas for views were raw materials/circularity, chemicals, diversity and inclusion and the supply chain.

The views collected from the stakeholder dialog, evaluation and the new risk analysis were addressed during work on the 2021 Sustainability Report.

Trelleborg prepared a new model during the year due to the future regulations on how materiality analysis are to be performed.

This new model is based on:

- » Identifying material sustainability aspects
- » Risks and impact of material aspects
- » Activities to address aspects

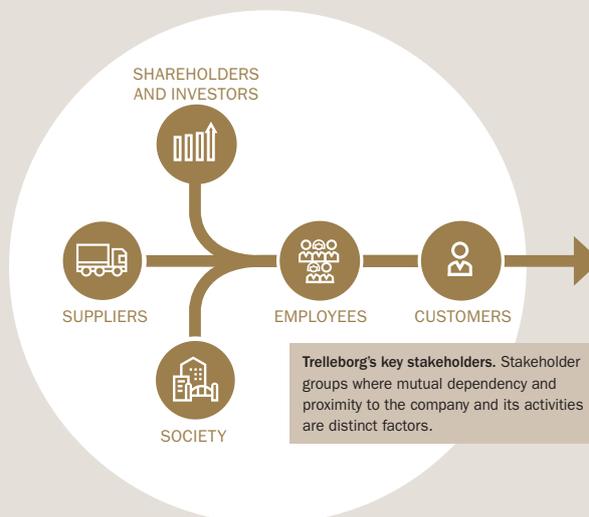
*Identifying aspects.* Materiality at a general level has been evaluated by Trelleborg since 2020 in accordance with the UN SDGs and two different dimensions:

- » How do Trelleborg's operations impact people and environment?
- » How are Trelleborg's business and operations impacted by sustainability issues?

*Trelleborg's risks and impact on people and the environment.* Material aspects of Trelleborg's risks and impact on the environment and people are described in the Sustainability Report together with preventive and corrective action. More information about the aspects deemed to be material can be found on pages 53, 124–125 and 129 in this report.

*Impact on business and operations.* Material aspects of how sustainability issues impact Trelleborg's business and operations via risks and other effects are

## TRELLEBORG'S KEY STAKEHOLDERS



presented, for example, on pages 53 and 124–125. The risk analysis – particularly the long-term – was improved in 2021 using a new climate-related scenario description according to the TCFD's recommendations on pages 127–129. The analysis incorporates both how transition risks and physical risks could impact business and the operations.

*Climate change* is high on Trelleborg's strategic agenda, as it is for most manufacturing companies. The material aspects of climate change involve physical and business risks for the operations related to both preventive measures and climate adjustments, and reducing the climate impact of the operations across the entire value chain, read more about targets and visions on pages 24–25.

*Activities carried out by Trelleborg* have been clearly decentralized to the business area level based on the *Protecting the Essential* sustainability strategy as regards both tailoring the agenda and actual planning and implementation of improvement activities. Climate change can, for example, be divided into *energy-related activities* – meaning improved energy efficiency and transitioning the operations' energy supply toward renewable energy sources – and *materials activities*, meaning primarily transitioning the operations' materials supply toward greater circularity.

## COMMON QUESTIONS IN STAKEHOLDER ENGAGEMENT:

- » How is Trelleborg managing the issue of climate change?

The starting point in preparing the company's current climate target (for the period 2021–2025) and long-term climate vision (for 2035) has always been to contribute to society's goal to keep global warming to below 1.5 degrees Celsius, by using a science-based analysis of emissions from operations. Initial focus was on Scope 1 and 2, but other emissions across the value chain (Scope 3 emissions) are also addressed at the same time, mainly via purchased materials and transportation, which after discussions with the Science Based Targets initiative will be qualified and added to the "50 by 25" target and also the vision of net zero emissions from its own operations by 2035, refer to pages 24–25.

- » How is Trelleborg working to make its business and entire operations more circular?

During the year, work has continued on a general model for Trelleborg's view of circular resource use and business, as an additional step toward more efficient use of resources. In this work, Trelleborg's definition of circular economy follows the general definition of the Ellen MacArthur Foundation:

"Circular economy is an industrial system based on recovery and regeneration. It replaces the concept of obsolete products with recycling, transitions to renewable energy, eliminates use of harmful chemicals, which thereby enables reuse, and aims

to eliminate waste and pollution driven by improved design of materials, products and the entire system, including business models."

The Group-wide *Polymers for Tomorrow* group also initiated a central project to systematically address key material categories to increase the share of bio-based and recycled materials. More detailed targets for this work will be presented in 2022.

- » How does Trelleborg identify and manage sustainability-related risks, including climate risks?

Sustainability-related risks are included, as before, in Trelleborg's risk evaluation according to ERM principles, refer to pages 50–53. A supplementary risk/impact evaluation in accordance with the UN SDGs is presented with commentary on page 124–125. The evaluation prioritizes and highlights the risks and impacts/effects that are considered most severe and likely to occur. As of 2021, a scenario analysis has been performed following the TCFD's recommendation, focusing specifically on climate risks – both transition risks and physical risks, refer to pages 127–129.

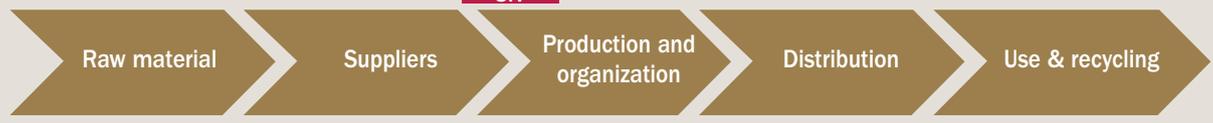
# SUSTAINABILITY RISKS AND OWN IMPACT

Trelleborg has performed an assessment in accordance with the UN Sustainable Development Goals in the area of sustainability-related risk along the value chain and own impact on surroundings.

## High risk



## Medium risk



All 169 UN targets were assessed – in December 2020 with minor updates in 2021 – by a Sustainability Risk Task Force at Group level, in relation to the inherent risks and impact Trelleborg’s activities cause. The image shows goals where risk/impact are considered high or medium-high, by weighing the factors of severity and likelihood of occurring.

## OVERVIEW OF HIGH AND MEDIUM-HIGH RISKS, AND OWN IMPACT ALONG THE VALUE CHAIN

Targets in SDGs with exposure to risk ■ = high risk	Relevant risk/impact for Trelleborg	Main risk along the value chain?	Trelleborg's own impact	Examples of management, page
3.9 Reduce the number of deaths and illnesses from hazardous chemicals and pollution and contamination	Company's use of chemicals in processes and products	Raw materials	Production and organization	Safety@Work 41, 132, Global Chemical Task Force 38, REACH activities 38, Polymers for Tomorrow 24, 38, 123
5.1 End all forms of discrimination against all women and girls everywhere	Discrimination internally and in the supply chain.	Suppliers	Production and organization	Diversity and inclusion, work with 41–42, target 132
5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making	Percentage of women managers.		Production and organization	Diversity and inclusion, work with 41–42, target 132
6.4 Increase water-use efficiency and ensure sustainable withdrawals and supply of freshwater	Company's water use, water supply and emissions	Suppliers	Production and organization	Water use and water supply 40, 131
8.4 Improve global resource efficiency in consumption and production	Company's resource efficiency and circularity	Suppliers, Use and recycling	Production and organization	Manufacturing Excellence 23, 38, Energy Excellence 39, 131, Circularity 24, 38, 123, Waste 40, 132
8.5 Full and productive employment and decent work for all women and men and equal pay for work of equal value	Decent work and fair pay	Suppliers	Production and organization	Supplier 44, Code of Conduct 45, Global Platform for Sustainable Natural Rubber 45
8.6 Substantially reduce the proportion of youth not in employment, education or training	Recruitment		Production and organization	Diversity and inclusion. Age 42
8.7 Eradicate forced labor, human trafficking and child labor	Forced labor and child labor, particularly relevant early in the value chain (natural rubber)	Suppliers	Production and organization	Child labor, human trafficking, forced labor/trafficking, zero tolerance approach to 43, Modern Slavery Act 43, Human rights 43
8.8 Protect labor rights and promote safe and secure working environments for all workers	Safe work environment.	Suppliers	Production and organization	Safety@Work 41, 132, Suppliers 44, Global Platform for Sustainable Natural Rubber 45
10.3 Ensure equal opportunity and eliminate discrimination	Wage difference women – men		Production and organization	Discrimination, zero tolerance approach to 44, outcome for the year 133
12.2 Sustainable management and efficient use of natural resources	Resource scarcity and fossil raw materials	Raw materials, Suppliers	Production and organization	Energy efficiency 38, 131, Polymers for Tomorrow 24, 38, 123, Conflict materials 38, Water use and water supply 40, 131, Circularity 24, 38, 123
12.4 Environmentally sound management of chemicals and all waste	Chemicals management	Raw material, Suppliers, Use and recycling	Production and organization	Global Chemical Task Force 38, REACH activities 38, Waste management 40, 132, Emissions to air 40, 131
12.5 Substantially reduce waste generation	Resource efficiency and circularity	Raw materials, Use and recycling	Production and organization	Manufacturing Excellence 24, 38, Waste 40, 132, Circularity 23, 38, 123
13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries	Climate risks for Trelleborg, both physical and commercial	Raw materials, Use and recycling	Production and organization	Climate target and vision 24, Circularity 24, 38, 123, Polymers for Tomorrow 24, 38, 123, Climate impact 24, 128, TCFD 127
14.1 Prevent and significantly reduce marine pollution of all kinds	Problem of microplastics	Raw materials, Use and recycling		Circularity 24, 38, 123
15.2 Promote the implementation of sustainable management of all types of forests, halt deforestation and restore degraded forests	Deforestation (from use of natural rubber)	Raw materials, Suppliers		Natural rubber chain, Dialog with suppliers 45, Global Platform for Sustainable Natural Rubber 45
16.2 Protect abuse, exploitation, trafficking and all forms of violence against and torture of children	Risk of child exploitation in the value chain (mainly natural rubber)	Suppliers	Production and organization	Child labor, zero tolerance approach to 43, Natural rubber chain 45, Global Platform for Sustainable Natural Rubber 45
16.3 Promote the rule of law and ensure equal access to justice for all	Regulatory compliance globally	Suppliers	Production and organization	Regulatory compliance 43, 133, Suppliers 44
16.5 Substantially reduce corruption and bribery in all their forms	Regulatory compliance and the Code of Conduct	Suppliers	Production and organization	Regulatory compliance 43, in the supply chain 44, Code of Conduct 45

# TRELLEBORG'S PRODUCTS AND THE UN SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals encompass 17 areas that are of key significance to the world. In many of these areas, Trelleborg can make an important contribution to social development – particularly through its innovative products and solutions, but also through sustainability activities under the framework of its own operations. See also pages 22–25 for product examples. A general risk/impact overview along the value chain is presented on the previous pages.

UN SDGs	Implications	Trelleborg's products, solutions and social activities for/contribution to the sustainable development of society, with reference to the UN targets.
 2 ZERO HUNGER	Goal 2 is to end hunger, achieve food security and improved nutrition and promote sustainable agriculture.	Solutions for sustainable agriculture and greater productivity in agriculture, primarily agricultural tires (2.3). Other products for sustainable systems for food production, including food hoses (2.4).
 3 GOOD HEALTH AND WELL-BEING	Goal 3 is to ensure healthy lives and promote well-being for all at all ages.	Products to improve road safety, such as brake shims (3.6). Components in the field of healthcare & medical, such as for medical equipment and for drug and vaccine delivery systems (3.8). Reduced involvement in solutions in the field of oil & gas (3.9).
 4 QUALITY EDUCATION	Goal 4 is to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Training and support projects for local communities within the framework of Trelleborg's community engagement (4.2).
 5 GENDER EQUALITY	Goal 5 is to achieve gender equality and the empowerment of all women and girls.	Development of women leaders (5.5).
 6 CLEAN WATER AND SANITATION	Goal 6 is to ensure availability and sustainable management of water and sanitation for all.	Products to safeguard and protect water resources, such as pipe seals and pipe repair solutions (6.4).
 7 AFFORDABLE AND CLEAN ENERGY	Goal 7 is to ensure access to affordable, reliable, sustainable and modern energy for all.	Solutions for the safe extraction and transport of energy (7.1). Components for wind, solar and hydro power solutions (7.2).
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Goal 9 is to build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	Solutions for reliable, sustainable, resilient and high-quality infrastructure, including window/door seals, façade profiles and pipe seals, such as in trains and the rail system area and for ports, as well as bridge and tunnel solutions. (9.1).
 11 SUSTAINABLE CITIES AND COMMUNITIES	Goal 11 is to make cities and human settlements inclusive, safe, resilient and sustainable.	Solutions for protection against earthquake and water-related catastrophes, and unnecessary noise and vibrations (11.1). Solutions for safe, accessible and sustainable transportation systems, including ports and in trains and the rail system (11.2). Solutions to protect and safeguard the world's cultural and natural heritage, including water management and seals (11.4).
 13 CLIMATE ACTION	Goal 13 is to take urgent action to combat climate change and its impacts.	Solutions in energy efficiency, renewable energy and water management that reduce the risk of and build resilience against climate hazards and catastrophes (13.1).
 14 LIFE BELOW WATER	Goal 14 is to conserve and sustainably use the oceans, sea and marine resources for sustainable development.	Products for ports and marine solutions, including Ocean Cleanup (14.2).
 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Goal 16 is to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	Preventive measures throughout the value chain against child and forced labor as well as against corruption and anti-competitive measures (16.2 and 16.5).
 17 PARTNERSHIPS FOR THE GOALS	Goal 17 is to strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.	Signing and supporting various sustainability initiatives, such as the UN Global Compact, continued application of, and adjustment to, international standards and guidelines for sustainability reporting (such as GRI/UN Sustainable Development Goals), climate reporting (TCFD/CDP) and environmental management systems (ISO 14001) (17.16).

# CLIMATE SCENARIOS: RISKS, OPPORTUNITIES AND FINANCIAL IMPACTS

An analysis of future climate-related scenarios, including risks and opportunities and financial impacts, provides the basis and variables for a potential future description for Trelleborg to base its actions on.

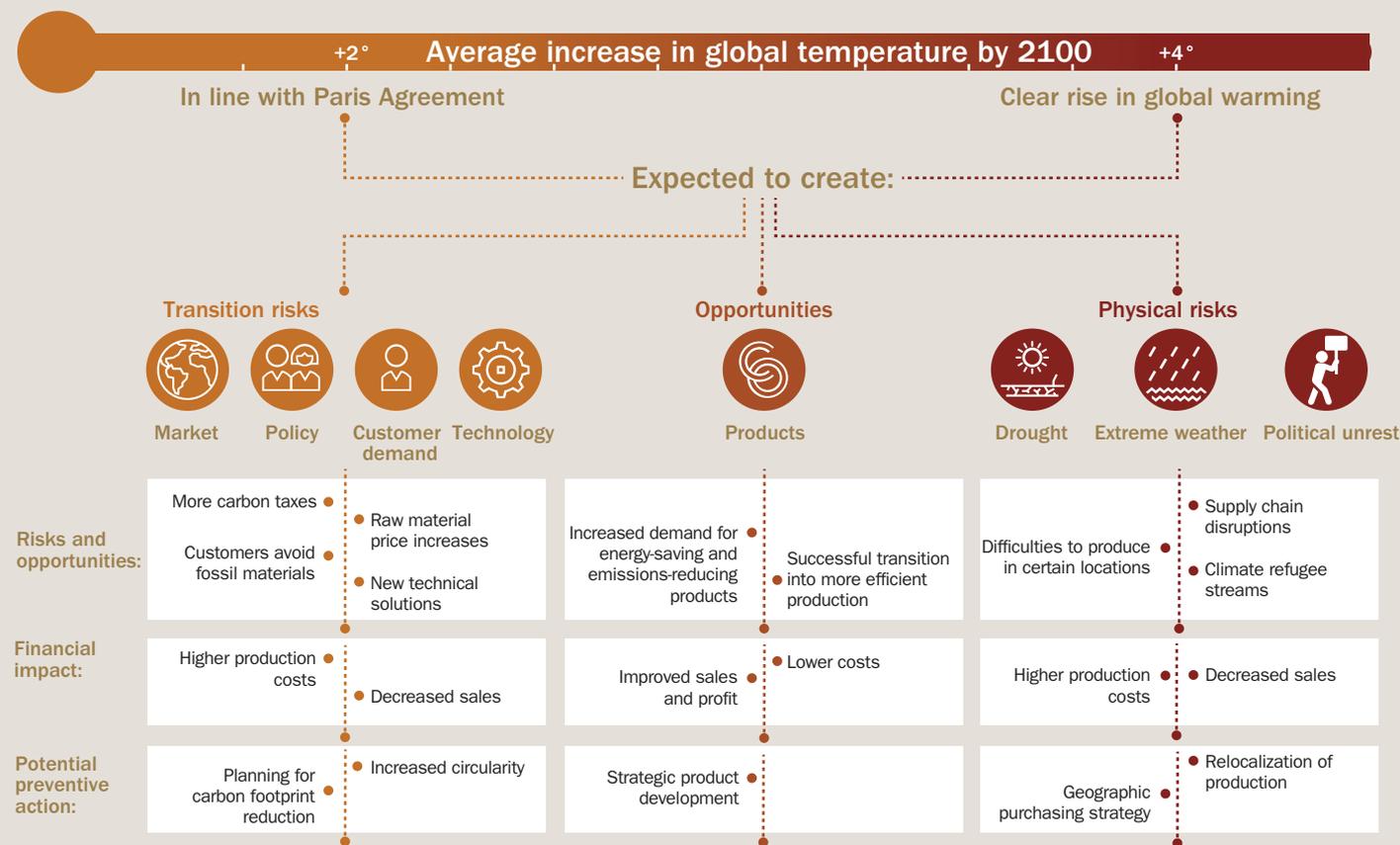
The material was prepared by management and representatives for the business areas/Group following the recommendations of the *Task Force on Climate-related Financial Disclosures* (TCFD), with climate specialist consultants from 2050 Consulting. The scenario analysis will be further developed every year.

- » The first graphical summary below presents a summary of the most important results of the 2021 analysis and most of the risks and opportunities are assumed to be between the interval of 1–5 years unless otherwise stated.
- » The analysis of both scenarios on the next page is based on and named according to two of the UN Intergovernmental Panel on Climate Change's

(IPCC) forecasts on how carbon concentrations in the atmosphere will increase by 2100 (*Representative Concentration Pathways*). RCP 2.6 involves a low increase and RCP 8.5 a very high increase.

- » The risk/opportunity analysis on page 129 presents a description of general risks and opportunities.
  - » The table below on page 129 is an index of where additional TCFD material can be found in this Annual Report.
- A supplementary assessment of both physical risks/transition risks as well as opportunities is available in Trelleborg's open response to CDP ([www.cdp.net](http://www.cdp.net)).

## GRAPHIC SUMMARY OF SCENARIO ANALYSIS 2021



### Commentary on Trelleborg's position:

#### Transition risks

- » Transition risks are generally expected to occur before physical risks.
- » The organization is continuously increasing its contingency for future carbon regulations and also for potential rises in the price of raw materials.
- » Examples of proactive measures to reduce the carbon footprint of Trelleborg's products: The Group-wide *Polymers for Tomorrow* team (refer to page 38) that was founded in 2021 to increase the share of renewable and recycled material.
- » New materials and new technical solutions are

monitored for the same purpose – to be an industry leader in sustainability.

- » Reducing the carbon footprint through work to achieve an ambitious climate target/vision and measures to increase circularity is gradually starting to become part of Trelleborg's DNA.
- » Membership of the Global Platform for Sustainable Natural Rubber from 2021 is intended to reduce risks associated with the use of natural rubber.

#### Opportunities

- » More efficient production is a natural and visible consequence of the ongoing energy and material efficiency efforts.

- » The share of energy-saving and emissions-reducing products in Trelleborg's range is expected to increase markedly.

#### Physical risks

- » The risk analysis of climate-related physical risks has been in place for a long time. The number of upgrades to the level of Highly Protected Risk facilities is rising, refer to page 53.
- » Purchasing strategy with new geographical considerations can be changed in the short term for critical raw materials such as natural rubber.
- » The potential relocalization of production is made easier due to Trelleborg's production sites in various relevant parts of the world.

# SCENARIO ANALYSIS: TWO DIFFERENT SCENARIOS

## SCENARIO 1: IN LINE WITH PARIS AGREEMENT (+2°C)

**Rapid transition to lower-carbon society.** International politics unified on transition, succeeded in halving total GHG emissions by 2050. Global warming limited to 2 degree by 2100, which limits damage. Political decisions, taxes and regulations on greenhouse gases are introduced. Large-scale renewable energy and technological improvements are introduced. Rapid transition to community infrastructure takes place. The climate impact of this scenario is based on the IPCC's RCP 2.6 scenario

Potential effects		
Risks	Opportunities	Financial impacts
Climate-related regulations, taxes and fees increase quickly. An example is the EU's planned <i>carbon border tax</i> which means that importers and non-EU manufacturers of steel, cement and electricity among others must pay a tax of about EUR 75 per metric ton of CO <sub>2</sub> emissions. Trelleborg's own transition of its raw materials, energy solutions and reduced CO <sub>2</sub> emissions is resulting in improvements but it might be challenging to maintain the same pace in society.	Impact on society and customers yields a distinct increase in business opportunities for energy savings and Trelleborg solutions that reduce emissions, such as in the market segments for renewable energy, e-mobility, greener air travel (refer to page 19).	Capitalizing on new business opportunities is positive for income and earnings. Regulations and taxes drive up costs and clearly increase the overall cost profile, even indirectly: For example, the International Monetary Fund had stated that a carbon tax of USD 75 per metric ton of CO <sub>2</sub> would increase the average price in the G20 countries by up to 43 percent. However, the risk profile is likely to be similar for competitors.
Trelleborg risks not being quick enough in adapting its portfolio to changed customer demand for energy and emission-impacting solutions.	Trelleborg succeeds in transitioning its offering and securing good market positions, in line with the transition in society.	Earnings are impacted by how quickly the company adapts to the transition in society.
Demand for transition of production equipment to meet society's needs in terms of, for example, renewable energy and circular production.		Investment requirements for transition of internal infrastructure.
A gradual transition in society and negative changes in demand for solutions using fossil-based raw materials. <sup>1</sup>		Customer behavior is potentially negative for demand and earnings – for example, the tire industry has been perceived to be polluting. Transition required by materials supply chain.
New players in various market segments offer applications in competing materials. <sup>1</sup>		Market share/sales may be threatened.

## SCENARIO 2: CLEAR RISE IN GLOBAL WARMING (+4°C)

**Slow transition in society.** Political climate initiatives and cooperation take place but at a moderate tempo and with cooperative difficulties internationally. Continued dependency on fossil fuels. GHG emissions continue and result in a 4-degree increase in the global temperature by 2100. Periods of drought, a clear rise in sea levels, more fires and cases of extreme weather, such as flooding, cause problems in themselves and lead to streams of refugees. The climate impact of this scenario is based on the IPCC's RCP 8.5 scenario.

Potential effects		
Risks	Opportunities	Financial impacts
Regulations, taxes and fees increase but at a moderate tempo.	Gradual increase in business opportunities for energy savings and Trelleborg solutions that reduce emissions, such as in the segments for renewable energy, e-mobility, greener air travel, which are important to the company (refer to page 19).	Regulations and taxes gradually increase the cost profile. Positive on income side.
Customer demand changes, but at a predictable rate.	Trelleborg succeeds in transitioning its offering and securing good market positions, in line with the transition in society.	Capitalizing on new business opportunities is positive for earnings.
Physical effects: weather disrupts some operations and causes damage at some plants.		Any such operational disruptions are negative for production and sales.
Temperatures make working and living difficult in certain places, for example, in Sri Lanka due to risk of flooding and in the US due to risk of tornadoes. Political concern/streams of refugees risk becoming a consequence. <sup>1</sup>	It may be necessary to relocate some production, but Trelleborg's own transition of energy solutions and lowering of CO <sub>2</sub> emissions are progressing quicker than for society at large, which is positive for the brand.	Trelleborg's brand and market position are positive, but political concern/streams of refugees could disrupt both local demand and impact prices of materials, which could affect earnings.
Moderate tempo of transition for own energy-related infrastructure. <sup>1</sup>		Investment requirements under control.

<sup>1</sup> Relevant in the long term, 5–10 years.

## GENERAL RISKS AND OPPORTUNITIES

Transition risks				
Reputation	Market	Technology	Political and legal matters	
<ul style="list-style-type: none"> <li>» Changed customer preferences</li> <li>» Greater concern among stakeholders or negative feedback from stakeholders</li> <li>» Recruitment difficulties<sup>1</sup></li> <li>» Sector stigmatization<sup>1</sup></li> </ul>	<ul style="list-style-type: none"> <li>» Changed customer preferences</li> <li>» Uncertainty about market signals</li> <li>» Higher costs of raw materials</li> </ul>	<ul style="list-style-type: none"> <li>» Competitors with high share of bio-based and recycled raw materials</li> <li>» Replacing current products and services with lower-emission alternatives</li> <li>» Failed investments in new technology</li> <li>» Costs for transition to new lower-emission technology</li> </ul>	<ul style="list-style-type: none"> <li>» Higher price of GHG emissions</li> <li>» Stricter requirements profile for capital acquisition via EU taxonomy and future reporting directive (CSRD)</li> <li>» Regulations for current products and services</li> <li>» Exposure to claims for damages</li> </ul>	
Physical risks				
Chronic		Acute		
<ul style="list-style-type: none"> <li>» Changed rain patterns and extreme variations in weather patterns</li> <li>» Effects on global supply of natural rubber: Current temperatures are at the upper end of the scale for rubber farming<sup>1</sup></li> <li>» Higher average temperatures and sea levels could impact areas in which operations are located<sup>1</sup></li> </ul>		<ul style="list-style-type: none"> <li>» More serious consequences of extreme weather such as cyclones and torrential rain</li> <li>» Impact on supply chain, production sites and customer needs</li> </ul>		
Opportunities				
Efficiency enhancements to achieve mitigation	Transition of energy sources	Adapting the range	Market development	Improved resilience
<ul style="list-style-type: none"> <li>» Transition to more resource-effective transportation</li> <li>» More resource-effective production and distribution processes</li> <li>» More recycling and more effective use of materials</li> <li>» Relocation to more efficient buildings</li> <li>» Lower water use and consumption</li> </ul>	<ul style="list-style-type: none"> <li>» Transition to lower-emission energy sources</li> <li>» Use of political support measure for energy sources</li> <li>» Participation in carbon reduction solutions in the market</li> <li>» More decentralized/local energy production, such as solar power</li> </ul>	<ul style="list-style-type: none"> <li>» Development or increase in lower-emission products and services</li> <li>» Examples: low friction seals, solutions for climate adjustments such as addressing flooding and other effects of higher volumes of rain or rising sea levels</li> </ul>	<ul style="list-style-type: none"> <li>» Access to new markets</li> <li>» Use of government aid for sustainable technology</li> </ul>	<ul style="list-style-type: none"> <li>» Participation in renewable energy programs and continued energy efficiency enhancements</li> </ul>

<sup>1</sup> Relevant in the long term, 5–10 years.

## TCFD INDEX OVERVIEW

Area/target	TCFD recommendations	References/pages
Climate: organization and governance	a) Describe the organization's governance around climate-related risks and opportunities.	Organization and governance 122, Chairman of the Board 54
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	Interview with President 7, Organization and governance 122
Climate strategy	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Sustainability-related risk 51–53, 124–125, Climate-related risks 53, 127–129
	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Climate strategy and risks 24–25, 39, Sustainable products and solutions 22–25, 126
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Climate scenarios 127–129, Climate strategy and risks 24–25, 39, 123 Sustainable products and solutions 22–25, 126
Risk management	a) Describe the organization's processes for identifying and assessing climate-related risks.	Sustainability-related risk 51–53, 124–125, 127–129, Risk identification and assessment 125–127, Stakeholder questions on climate risk 123
	b) Describe the organization's processes for managing climate-related risks.	Sustainability-related risk 51–53, 124–125, 127–129, Climate strategy 24–25, 39, 127–129, Organization and governance 122, Climate scenarios 127–129
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	Climate strategy and risks 24–25, 39, 127–129, Sustainability-related risk 51–53, 124–125, 127–129, Climate scenarios 127–129
Metrics and Targets	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Outcome for the year 9, 131, Climate target and vision 24–25, Climate strategy and risks 24–25, 39, Sustainability-related risk 51–53, 124–125
	b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	Trelleborg reports Scope 1 and 2: Results 9, 39, 131, Scope 3 24–25, Sustainability-related risk 51, 53, 125, Ten-year overview 138
	c) Describe the metrics used by the organization to manage climate-related risks and opportunities and performance against targets.	Target overview 9, Outcome for the year 9, 131, Climate target and vision 24–25, Climate strategy and risks 24–25, 39, Ten-year overview 138

# EU TAXONOMY 2021 FOR TRELLEBORG AB

The EU taxonomy is legislation in the form of a classification system of economic activities to direct investments towards sustainable activities. Trelleborg has analyzed its operations according to the 2021 taxonomy guidelines.

**Focus of the taxonomy.** 2021 is the first fiscal year that Trelleborg and other manufacturing companies are to analyze and classify the activities of their operations in accordance with the guidelines of the EU Directive. The EU's aim is to identify activities that meet the requirements of the taxonomy so that they qualify as environmentally sustainable according to one of the environmental objectives.

The taxonomy addresses two environmental objectives for 2021 as the first year of reporting:

- » *climate change mitigation*
- » *climate change adaptation*

It is important to understand that under this definition, the taxonomy currently mainly addresses selected activities in society that have high greenhouse gas emissions (for example energy production, or iron and steel manufacturing), and activities in society that enable a sustainable transition of other operations (for example education).

Over the next few years, the EU will add four other overarching environmental objectives to the Taxonomy Directive, and the requirement to *do no significant harm* to any of the other environmental objectives when fulfilling them will be added.

**Trelleborg's 2021 analysis and reporting.** For Trelleborg's analysis of its own operations, all business areas carried out a detailed review of their activities in 2021 to see which activities fell under the applicable taxonomy guidelines for reporting the proportion of income/sales (turnover), proportion of capital expenditure (CapEx) and proportion of operating expenditure (OpEx).

*Proportion of turnover.* The proportion of taxonomy-eligible activities under the taxonomy guidelines for Trelleborg in 2021 is 0 percent according to Trelleborg's analysis. The share of non-eligible activities for the year is thus 100 percent.

*Proportion of CapEx.* The taxonomy guidelines state what could be taxonomy-eligible in terms of proportion of investments and OpEx. Three different categories of investments are provided for – the first two are directly related to the eligibility of the company's activities and thus are not relevant as long as no eligible activities exist in the operations.

The third category refers to investing in such measures as energy efficiency where the objective of the investment itself is to be in equipment that is compatible with the taxonomy guidelines. Trelleborg theoretically already made such investments in 2021 but since, strictly speaking, it is impossible at this time to determine whether this

equipment is aligned with the taxonomy guidelines, the percentage here – proportion of CapEx for taxonomy-eligible investments – must also be 0 percent for 2021. Consequently the proportion of non-eligible investments is 100 percent.

*Proportion of OpEx.* The proportion of OpEx as described in the taxonomy guidelines primarily refers to OpEx that are associated with taxonomy-eligible activities. When such activities in 2021 are 0 percent, the proportion of OpEx related to these is also 0 percent, and the proportion of non-eligible OpEx is 100 percent.

## Other commentary from Trelleborg:

**Many activities fall outside the taxonomy.** The consequence of the focus of the taxonomy is that many companies, including Trelleborg's with its production of engineered polymer solutions, are not currently affected in a material sense by the taxonomy guidelines. For these companies, the proportion of activities that are potentially *eligible* or *aligned* with the taxonomy is none or minimal.

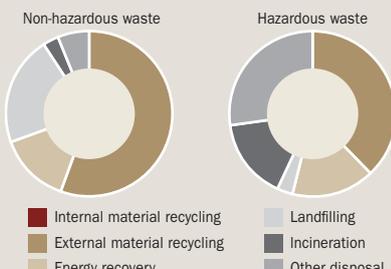
*Other sustainability-related solutions.* According to the aforementioned analysis performed by Trelleborg in 2021, there are a number of activities in the Group that provide the company with solutions/components that are critical to the function and climate performance of taxonomy-eligible end products. Some examples are function-critical and energy-saving sealing solutions (for wind-power plants, solar panels, buildings) or tires (for electric vehicles), refer to pages 22–25.

The manufacturing of such solutions will not be taxonomy-eligible for Trelleborg since they fall outside the current taxonomy guidelines. This is despite the fact that, in Trelleborg's view, the characteristics of the solutions may also be critical to sustainability characteristics of taxonomy-eligible end products. An estimate of the overall outcome of the analysis indicates that such sustainability-related but non-eligible activities for components for taxonomy-eligible end product correspond to about 10 percent of Trelleborg's sales in 2021.

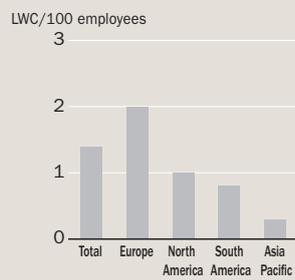
# OUTCOME IN 2021 IN THE AREA OPERATIONS: USE OF RESOURCES

Resources	Where?	Outcome 2021	Goals and main governance
<b>ENERGY</b>	■	In total, energy consumption has been at a slightly higher level year-on-year due to rising production volumes. Consumption relative to sales declined slightly during the year.	<p>The internal target for the Group is to improve its energy efficiency by at least 3 percent annually. The proportion of renewable/fossil-free energy is to gradually increase, both for direct and indirect energy, in line with the Group's climate target.</p> <p>Energy efficiency 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 pages 23, 38).</p> <p>Local energy coordinators are trained via global training sessions, and a shared toolbox is available.</p> <p>Energy prices in 2021 were higher globally, which impacted Trelleborg. The company works proactively and systematically on energy efficiency and also together with energy consultants, and is planning to implement joint solutions for renewable energy solutions in the future.</p>
Energy consumption	■	Total of 1,394 GWh (1,308). The share of direct energy is 703 GWh (612), and the share of indirect energy is 691 GWh (696).	
Energy consumption relative to sales	■	0.039 GWh per SEK M (0.040). Energy consumption relative to sales declined approximately 2 percent.	
Energy cost	■	SEK 844 M (698).	
Renewable/fossil-free energy	■	11.1 percent (10.3) of total energy consumption, a 7-percent increase mainly due to purchased renewable electricity and internally generated electricity at facilities.  The internally generated electricity is produced from solar cells and amounted to 756 MWh (671).	
<b>CLIMATE</b>	■	Both in total and relative to sales, CO <sub>2</sub> emissions decreased in 2021, which is primarily attributable to green electricity. Trelleborg's systematic measures for energy efficiency contributed to the results, which at the end of 2021 yielded a decrease of 10 percent in CO <sub>2</sub> emissions in relation to sales compared with the base value of 10.9 metric tons/SEK M from 2020.	<p>For the 2021–2025 period, the "50 by 25" target has been established, in line with society's goal to keep global warming to below 1.5 degrees Celsius. During the period, Trelleborg will aim to halve its CO<sub>2</sub> emissions in Scope 1 and 2, in relation to sales, and also achieve a significant reduction in emissions across the value chain (Scope 3). Read more on pages 24–25.</p>
Reduction of CO <sub>2</sub> emissions	■	349,200 metric tons (358,400), of which direct emissions amounted to 134,900 metric tons (117,400), and indirect emissions 214,300 metric tons (241,000).	
CO <sub>2</sub> emissions relative to sales	■	9.8 metric tons per SEK M (10.9), a 10-percent improvement. Compared with last year, there was a clear improvement during 2021, mainly due to the transition to renewable electricity.	
<b>WATER</b>	■	In 2021, water use, meaning water for production and sanitary water, increased in absolute terms and relative to sales, mainly due to higher production volumes.	<p>Even if water use is one of the general environmental key figures reported for all plants, a decrease in consumption is most crucial in production areas with water shortages, or where water shortages can be expected. Refer to page 39.</p>
Water use	■	2.44 million m <sup>3</sup> (2.19)	
Water use relative to sales	■	68.4 m <sup>3</sup> per SEK M (66.5)	
Water withdrawal	■	58 percent municipal water (61) 24 percent from the company's own wells (21) 17 percent surface water (rivers, lakes, etc.) (18) 1 percent other sources (0.5)	
<b>EMISSIONS</b>	■	Emissions of volatile organic compounds (VOC) increased during the year due to higher production volumes, primarily for tires. Emissions of sulfur dioxide and nitrogen oxides also increased.	<p>Reducing <i>volatile organic compounds</i> (VOC) emissions is a priority both from an environmental and health perspective. Emissions of VOC are defined according to EU standards.</p>
VOC	■	673 metric tons (504)	
VOCs relative to sales	■	0.019 metric tons per SEK M (0.015)	
Sulfur dioxide	■	74 metric tons (55)	
Nitrogen oxides	■	55 metric tons (48)	

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

Resources	Where?	Outcome 2021	Goals and main governance
<b>WASTE</b>		The amount of waste increased in absolute figures in 2021 due to production volumes. Waste management methods, both for hazardous waste and other waste, are shown in the diagram below to the right.	<p>Waste minimization is an expressed goal in the Manufacturing Excellence initiative, which is conducted in all production units, see also pages 23 and 38.</p> <p>The volume of hazardous waste is to gradually decrease.</p> <p>According to the local waste management plans, third-party suppliers that handle waste are to be selected on the basis of their compliance with contractual and legal specifications, and all waste that leaves the plants is to be weighed and documented. Alternatively, the waste's density and volume must be calculated, for example, using supplier invoices, the organization's internal invoicing and accounting system, or data from the purchasing departments.</p>
Waste volume		50,329 metric tons (46,270). Of the total volume, rubber accounted for 30 percent (31) Hazardous waste totaled 4,594 metric tons (4,540), an increase of 1 percent since the preceding year.	
Waste volume relative to sales		1.4 metric tons per SEK M (1.4)	
Waste cost		SEK 58 M (62)	
Waste management		<p><b>Non-hazardous waste:</b> Internal material recycling 120 metric tons (312) External material recycling 24,867 metric tons (21,966) Energy recovery 7,521 metric tons (6,093) Landfill 10,087 metric tons (10,161) Other methods 1,988 metric tons (2,077).</p> <p><b>Hazardous waste:</b> Internal material recycling 1 metric ton (17) External material recycling 1,577 metric tons (1,071) Energy recovery 1,123 metric tons (1,431) Landfill 149 metric tons (206) Other methods 1,087 metric tons (1,225).</p> <p>The distribution between methods for handling non-hazardous waste and hazardous waste is presented in the diagram to the right. By definition, internal material recycling is conducted on site.</p>	
		 	

## OUTCOME IN 2021 IN THE AREA OF OPERATIONS: SAFETY, DIVERSITY AND DEVELOPMENT

Employees	Where?	Outcome 2021	Goals and main governance
<b>HEALTH AND SAFETY</b>		The curve shows the number of work-related injury/illness cases per 100 employees resulting in more than one day's absence (LWC). This figure has gradually declined. The figure for 2021 was unchanged compared with last year.	<p>The number of accidents is to steadily decrease. For 2021, the target remained LWC &lt;2.0. For the full-year 2022, the target is to achieve an LWC of &lt;1.0 in the production units and to start to present LWC performance measures for non-manufacturing units.</p> <p>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. As of 2020–2021, the program has been relaunched under the "Team up for Safety" theme.</p> <p>The outcome for 2021 was affected by the fact that the number of working hours (total of 30.1 million hours in production) was lower than in 2020. The lower number of hours was due to the divestment during the year of several units and sick leave in connection with covid.</p> <p>The LWC performance measure that reflects the lost work days was adjusted to international standards in 2021; the new LWC frequency is the number of lost work days per 100 employees due to work-related injury/illness during the year.</p> <p>The four most common injury categories in 2021 were: cuts, contact with moving machinery, work tasks with poor ergonomics, and slips, trips and falls. These categories represent more than two thirds of the total number of LWCs during the year.</p> <p>This performance measure was introduced in 2021 to increase the number of women who can be recruited to higher levels.</p> <p>This performance measure was introduced in 2021 to highlight ethnic diversity as a success factor.</p>
Fatal accidents (insourced staff are reported separately)		No fatal accidents (0) occurred during the year, either among Trelleborg's own or insourced staff.	
LWC		217 cases (218) resulting in at least one day's absence (LWC). Of these, 12 (14) were insourced staff, and 36 (37) women. No LWC cases pertained to work-related illness in the production units in 2021.	
LWC per 100 employees		1.4 LWC per 100 employees (1.4). For insourced staff, the figure was 0.8 (1.0), and for women 1.2 (1.1). See the diagram to the right for the regional situation.	
LWD per 100 employees		47 lost work days per 100 employees (= per 200,000 working hours).	
Safety committee		89 percent of facilities have a safety committee (94) with representatives from both employers and employees.	
Absenteeism in Sweden		7.2 percent of normal working hours (6.8).	
Systems for occupational health and safety management		At the end of 2021, 31 units (29) were certified under OHSAS 18001 or ISO 45001, corresponding to 30 percent (24) of all facilities.	
Percentage of women at level 1–4		The percentage of women at levels 1–4 of the organization was 22 percent at the end of 2021.	
Number of nationalities at manager levels		The number of nationalities at manager levels was 38 at the end of 2021.	
		 	

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

# OUTCOME IN 2021 IN THE AREA OF COMPLIANCE

Compliance	Where?	Outcome 2021	Goals and main governance
Anti-corruption and competition law	■	7,237 individuals (5,799) underwent various training courses in anti-corruption, competition law, contract management and so forth. This included both traditional classroom training and, to a strongly increasing extent, online training (e-learning, webinars).	Zero tolerance applies 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	■	A new Code of Conduct was launched in 2019, and more than 85 percent of all Group employees underwent training in the new Code of Conduct during that year. Training continued in 2020 and 2021.	In 2021, a target was set for each employee to take the Code of Conduct course at least every three years.
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 43.
Compliance (environmental)	■	2 cases (2) of fines or sanctions for breaches of environment or OHS-related laws and regulations were reported, totaling SEK 80,000 (553,000)	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, a total of 18 matters (6) were reported via the whistleblower system and other channels, concerning alleged harassment, fraud, injustices, or safety deficiencies. Relevant action was taken where necessary. In several cases, the matters were closed due to lack of relevance or insufficient evidence.	Trelleborg's Whistleblower Policy implies that every employee is entitled to report suspicions of legal or regulatory violations without repercussions.
Discrimination	■	4 cases (5) of discrimination or equivalent were reported, three in the US and one in France. All 4 cases (4) are 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	■	44 percent (51) of all employees at year-end are represented by a trade union through collective agreements. In China, however, certain restrictions related to freedom of association apply.	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 in 2021.	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 in 2021.	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 89.4 percent (88.9) of the reported relevant purchasing spend in the production units. 2 units (2) reported ongoing investigations in December 2021. 2 supplier relationships (1) were terminated in 2021 for reasons related to the Code of Conduct. No new supplier audits (0) were conducted involving on-site visits in 2021 due to the continuing pandemic situation.	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 reported relevant purchasing spend. The target has been raised to 90% from 2022. Site visits with an audit of "at-risk suppliers" (selection based on geographic and material risk assessment) supplement the self-assessments. Since 2016, 61 supplier audits have been conducted (61), of which a limited number were additional visits to previously audited suppliers. Audits since 2016 have mainly taken place in China. Refer also to page 44.
Environmental management systems	■	At the end of 2021, 85 units (87) were certified under ISO 14001, corresponding to 69 percent (73) of all facilities.	The goal is that all major production units will have an ISO 14001-certified environmental management system. The difference compared with last year is that several certified units were divested.
Unplanned emissions	■	During the year, 2 minor cases (1) of unplanned emissions were reported. One was an incidence of emissions that took place in Ridderkerk, the Netherlands, which was an 0.5 liter oil/water mix and remediated immediately. The second was 12 liters of process water in Denver, US, which was also remediated immediately.	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 5 units (9). Another 10 facilities (11) are expected to require remediation, although the extent has not yet been determined. Provisions for environmental liabilities amounted to SEK 65 M (53).	Trelleborg is also active as one of several parties in additional cases of remediation, although with marginal liability for costs.
Environmental studies	■ □	In 2021, 8 environmental studies (4) were carried out at the various facilities.	Environmental studies are conducted to assess and outline the environmental impact of the facilities and identify potential environmental liabilities for the company in question, often in connection with acquisitions or closures.

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

# OUTCOME IN 2021 IN THE AREA OF SOCIAL ENGAGEMENT

Social engagement	Where?	Outcome 2021	Goals and main governance												
Distributed economic value	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; background-color: #8B4513; margin-right: 5px;"></div> <div style="width: 15px; height: 15px; border: 1px solid #8B4513; margin-right: 5px;"></div> </div>	<p>In total, Trelleborg's continuing operations generated economic value of SEK 34,407 M (30,510) of which SEK 30,125 M (25,949) is distributed between stakeholders (suppliers SEK 17,676 M, employees SEK 9,818 M, shareholders SEK 1,355 M, society SEK 978 M and creditors SEK 298 M). Refer also to page 17.</p> <div style="text-align: center;"> <p><b>Distributed value 2021</b></p> <table border="1" style="margin: 10px auto;"> <caption>Distributed value 2021</caption> <thead> <tr> <th>Stakeholder</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Suppliers</td> <td>58.7%</td> </tr> <tr> <td>Employees</td> <td>32.6%</td> </tr> <tr> <td>Shareholders</td> <td>4.5%</td> </tr> <tr> <td>Society</td> <td>3.2%</td> </tr> <tr> <td>Creditors</td> <td>1.0%</td> </tr> </tbody> </table> </div>	Stakeholder	Percentage	Suppliers	58.7%	Employees	32.6%	Shareholders	4.5%	Society	3.2%	Creditors	1.0%	<p>The company's value creation for surrounding society is described in both monetary terms (in the annual report) and through transparent sustainability reporting.</p> <p>Value generation is accentuated by Trelleborg's various products and solutions that contribute to the sustainability of society (more on pages 22–25).</p>
Stakeholder	Percentage														
Suppliers	58.7%														
Employees	32.6%														
Shareholders	4.5%														
Society	3.2%														
Creditors	1.0%														
Local communities	<div style="display: flex; align-items: center;"> <div style="width: 15px; height: 15px; border: 1px solid #8B4513; margin-right: 5px;"></div> </div>	<p>100 percent, that is to say all of Trelleborg's plants with more than 50 employees conducted social engagement activities in 2021, see examples on page 47.</p> <p>Major educational and development programs are being run in such countries as Sri Lanka (two schools for pupils at the equivalent of secondary level; the activities continued to be impacted by local Covid-19 restrictions in 2021), India and Sweden. A new program for school children in China was started in 2019.</p>	<p>All plants with more than 50 employees are to conduct regular social engagement according to their good relationships with the local community. The initial focus is on educational and development initiatives for children and young people, as well as sport and health initiatives and, in certain cases, volunteer activities. Group-wide programs are coordinated by Group Communications.</p>												

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

# GRI STANDARDS INDEX OVERVIEW

Material sustainability issues have been grouped in the table in areas with page references that conform to the GRI Standards Reporting Guidelines, according to the Core option. A supplementary index according to the UN Sustainable Development Goals and a risk/impact overview can be found on pages 124–126.

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

The second column contains material GRI disclosures for the respective sustainability aspect, with page references in the third column. Unless specified otherwise, the disclosures refer to the 2016 standards.

Reference to descriptions of governance (Management Approach Disclosures) for each focus area, can be found in the second column in bold.

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

A more detailed GRI Content Index with boundaries and omitted parts is included in the separate Sustainability Report for 2021. This will be available for download from April 2022 on [www.trelleborg.com/About Us/Sustainability](http://www.trelleborg.com/About Us/Sustainability).

The 2021 Sustainability 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.

Areas/ Sustainability aspects	GRI disclosures	Pages in the 2020 Annual Report	Connection to principles in the UN Global Compact
<b>COMPANY'S SUSTAINABILITY PROFILE</b>			
CEO's comments	102-14	4–7	
Trelleborg profile, incl. business model, overriding targets and governance as well as risks and opportunities	● 102-1 – 102-10, 102-15, 102-18 ●	Cover, 1–3, 8–9, 11–37, 41, 48–49, 55, 68–69, 84, 87, 94, 101, 120–122, 126, 137, 139	3, 6
Code of Conduct/Group policies, Whistle-blower Policy and external initiatives	● 102-12 – 102-13, 102-16, 102-17	Cover, 16, 23–25, 38, 40–47, 120, 122–127, 133	
Stakeholder engagement	102-40 – 102-44	17, 123	
Report profile, incl. materiality analysis	102-45 – 102-56	Cover, 92–93, 122–124, 127–130, 135–136	
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Requirements in the Annual Accounts Act concerning sustainability reporting: ● Business model ● Risks ● Policy/Target ● Anti-corruption ● Environment ● Human rights ● Social conditions incl. diversity

# ASSURANCE REPORT – SUSTAINABILITY

## Auditor's Limited Assurance Report on Trelleborg AB's Sustainability Report and statement regarding the Statutory 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 of Trelleborg AB to undertake a limited assurance engagement of the Trelleborg AB's Sustainability Report for the year 2021. The Company has defined the scope of the Sustainability Report below the table of contents of the Annual Report and the Statutory Sustainability Report on page 58.

#### Responsibilities of the Board of Directors and the Executive Management

The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Report including the Statutory Sustainability Report in accordance with the applicable criteria and the Annual Accounts Act respectively. The criteria are defined below the table of contents of the Annual Report, and are part of the Sustainability Reporting Guidelines published by GRI (Global Reporting Initiative), 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 and to express an opinion regarding the Statutory Sustainability Report. Our engagement is limited to historical information presented and does therefore not cover future-oriented information.

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. Our examination regarding the Statutory Sustainability Report has been conducted in accordance

with FAR's accounting standard RevR 12 *The auditor's opinion regarding the Statutory Sustainability Report*. A limited assurance engagement and an examination according to RevR 12 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.

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 limited assurance procedures performed and the examination according to RevR 12 do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. The conclusion based on a limited assurance engagement and an examination according to RevR 12 does not provide the same level of assurance as a conclusion based on an audit.

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.

A Statutory Sustainability Report has been prepared.

Malmö, 25 February 2022  
Deloitte AB

Hans Warén  
Authorized Public Accountant

Lennart Nordqvist  
Expert Member of FAR

# SUSTAINABILITY METRICS 2021 FOR CONTINUING OPERATIONS

In line with the financial statements, Trelleborg presents selected sustainability metrics for continuing operations. The reasons for this is that some metrics for 2021 show a clear variation in a comparison between the total operations and the continuing operations.

## FIVE-YEAR OVERVIEW, CONTINUING OPERATIONS

	2021	2020	2019	2018	2017
Energy, GWh	1,295	1,154	1,250	1,305	1,314
Direct energy, GWh	653	551	582	617	625
Indirect energy, GWh	642	603	667	688	689
Energy consumption in relation to sales, GWh/SEK M	0.038	0.038	0.037	0.042	0.046
Proportion of renewable energy, %	11.8	10.3	3.6		
Total CO <sub>2</sub> emissions, metric tons	321,533	312,031	379,729	382,649	427,354
Direct CO <sub>2</sub> emissions, metric tons	124,879	105,315	115,744	127,614	130,736
Indirect CO <sub>2</sub> emissions, metric tons	196,654	206,716	263,984	255,035	296,618
CO <sub>2</sub> emissions in relation to sales, metric tons/SEK M	9.5	10.3	11.3	12.3	15.0
Water use, m <sup>3</sup>	2,200,073	1,925,897	1,972,247	2,004,361	1,976,496
Water use in relation to sales, m <sup>3</sup> /SEK M	64.969	63.810	58.820	64.495	69.573
Waste, metric tons	45,791	39,088	46,986	45,761	44,657
Waste in relation to sales, metric tons/SEK M	1.352	1.295	1.401	1.472	1.572
VOC emissions, metric tons	590	390	445	517	463
VOC emissions in relation to sales, metric tons/SEK M	0.017	0.013	0.013	0.017	0.016
Nitrogen oxides, metric tons	51	43	49	56	59
Sulfur dioxide, metric tons	74	54	112	180	186
LWC, no. (accidents)	166	167	300	369	364
LWC frequency, per 100 employees	1.2	1.2	1.8	2.2	2.3
Sales	33,864	30,182	33,530	31,078	28,409

# SUSTAINABILITY TEN-YEAR OVERVIEW

Focus area	Key figures	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
<b>Operations</b>											
Employees	Number of employees at year-end	21,840	22,209	23,935	24,045	23,152	23,245	16,450	16,552	15,825	15,280
Health and safety	LWC (Lost Work Cases – cases resulting in at least one day's absence)	217	218	361	422	438	402	238	223	209	255
	Fatal accidents	0	0	1	2	0	0	–	–	–	–
Gender	Percentage of women on the Board	43	43	38	38	38	33	33	29	29	29
Energy	Total energy consumption, GWh	1394	1308	1,414	1,486	1,493	1,248	942	903	873	859
	Energy consumption, GWh per SEK M	0.039	0.040	0.039	0.044	0.047	0.047	0.038	0.040	0.041	0.040
	Proportion of renewable energy, %	11.1	10.3	3.6	–	–	–	–	–	–	–
Climate	Total CO <sub>2</sub> emissions, metric tons	349,200	358,400	429,400	442,800	487,200	385,000	280,000	276,900	260,800	244,600
	CO <sub>2</sub> -Emissions, metric tons per SEK M	9.8	10.9	11.7	13.0	15.4	14.2	11.3	12.3	12.1	11.5
Water	Water use, million m <sup>3</sup>	2.29	2.19	2.31	2.29	2.36	2.18	1.85	1.98	2.0	1.9
	Water use, m <sup>3</sup> per SEK M	68.4	66.5	63.1	67.4	74.7	80.4	74.6	87.7	88.5	90.9
Emissions	VOC emissions, metric tons	673	504	564	655	952	1,005	903	1,195	1,049	854
	VOC emissions, metric tons per SEK M	0.019	0.015	0.015	0.019	0.030	0.037	0.036	0.053	0.049	0.040
	SO <sub>x</sub> emissions, metric tons	74	55	113	181	187	184	204	216	189	263
	NO <sub>x</sub> emissions, metric tons	55	48	55	62	65	54	45	41	38	42
Waste	Waste, metric tons	50,329	46,300	54,600	54,700	53,500	50,600	44,500	44,700	45,350	43,400
	Waste, metric tons per SEK M	1.4	1.4	1.5	1.6	1.7	1.9	1.8	2.0	2.1	2.0
<b>Compliance</b>											
Compliance (general)	Number of material breaches of laws and permits during the year	0	0	0	0	0	0	0	0	0	0
Compliance (environmental)	Number of breaches of laws and permits resulting in fines or sanctions	2	2	3	2	5	3	4	3	0	2
Discrimination	Number of reported cases	4	5	11	7	5	5	8	1	1	8
Freedom of association	Proportion of employees that are represented by a trade union through collective agreements	44	51	51	54	53	54.7	52.2	48.1	51.5	43.5
Child and forced labor	Number of reported cases	0	0	0	0	0	0	0	0	0	0
Supplier reviews	Reviewed suppliers' share of the relevant purchasing spend	89.4	88.9	86.4	85.5	84	80.6	84	84	81.4	79.5
	Number of audits of at-risk suppliers during the year (started 2015)	0	0	10	22	15	14	12	–	–	–
<b>Social engagement</b>											
	Sales, SEK M	35,623	32,836	36,588	34,005	31,581	27,145	24,803	22,515	21,473	21,262
	Economic value distributed among stakeholders, SEK M	30,125	29,616	33,035	31,148	29,127	25,053	22,797	20,808	20,211	19,850
	Taxes paid, SEK M	978	772	763	919	732	593	472	627	587	460

All data in this overview was reported in the respective years, with the exception of climate figures for 2018, which were adjusted in 2019.

# FINANCIAL TEN-YEAR OVERVIEW

SEK M, unless otherwise stated	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012 <sup>1</sup>
<b>Continuing operations<sup>2</sup></b>										
Net sales	33,864	30,258	33,573	31,117	28,441	23,995	21,297	19,753	18,614	18,582
EBIT	5,015	3,777	3,543	4,488	4,440	3,085	2,867	2,692	2,024	2,191
Profit before tax	4,839	3,511	3,198	4,235	4,237	2,899	2,746	2,578	1,871	2,073
<b>Net profit for continuing operations<sup>2</sup></b>	<b>3,666</b>	<b>2,657</b>	<b>2,268</b>	<b>3,195</b>	<b>3,247</b>	<b>2,191</b>	<b>2,033</b>	<b>1,928</b>	<b>1,303</b>	<b>1,613</b>
Net profit, discontinuing operations <sup>2</sup>	50	54	-2,467	-5	-373	4,394	572	299	314	444
<b>Total net profit/loss, Group</b>	<b>3,716</b>	<b>2,711</b>	<b>-199</b>	<b>3,190</b>	<b>2,874</b>	<b>6,585</b>	<b>2,605</b>	<b>2,227</b>	<b>1,617</b>	<b>2,057</b>
- shareholders of the Parent Company	3,717	2,712	-199	3,190	2,874	6,585	2,603	2,221	1,609	2,042
- non-controlling interests	-1	-1	0	-	-	-	2	6	8	15

<b>Group</b>										
Equity	32,998	28,953	28,861	29,767	27,216	25,137	18,622	17,776	14,877	14,012
Capital employed <sup>3</sup>	42,246	39,699	44,276	40,692	37,817	38,246	25,492	25,157	20,713	19,751
Net debt <sup>3</sup>	8,367	10,026	14,914	10,499	10,154	12,784	6,837	7,777	6,087	5,880
Total assets	55,640	53,764	56,171	51,582	48,612	48,354	34,390	33,067	27,288	27,224
Equity/assets ratio, %	59	54	51	58	56	52	54	54	55	51
Debt/equity ratio, % <sup>3</sup>	25	35	52	35	37	51	37	44	41	42
Capital turnover rate, multiples <sup>3</sup>	0.9	0.8	0.8	0.8	0.8	0.8	0.9	1.0	1.0	1.2
Investments in property, plant and equipment <sup>4</sup>	1,359	1,106	1,632	1,822	1,343	1,074	1,241	962	852	967
Investments in intangible assets	111	114	165	121	94	74	73	63	70	76
Cash flow attributable to acquisitions	-573	3	-3,066	-440	-226	-13,380	-681	-1,912	-234	-744
Cash flow attributable to discontinuing operations	616	147	-	4	649	6,165	1,390	152	-19	448
Free cash flow	3,310	3,916	2,684	2,494	2,434	2,368	1,452	1,751	965	1,714
Free cash flow per share, SEK <sup>5</sup>	12.21	14.45	9.90	9.20	8.98	8.74	5.36	6.46	3.56	6.32
Return on shareholders' equity, %	12.0	9.4	-0.7	11.2	11.0	30.1	14.3	13.6	11.2	15.0
Earnings per share, SEK <sup>5</sup>	13.71	10.00	-0.73	11.77	10.60	24.30	9.60	8.20	5.93	7.53
Dividend to shareholders of the Parent Company <sup>6</sup>	1,491	1,355	-	1,288	1,220	1,152	1,084	1,017	881	813
Dividend per share, SEK <sup>6</sup>	5.50	5.00	-	4.75	4.50	4.25	4.00	3.75	3.25	3.00
Shareholders' equity per share, SEK <sup>5</sup>	121.70	106.78	106.43	109.81	100.40	92.73	68.70	65.54	54.72	51.56
Average number of employees	20,995	21,425	22,952	22,420	22,112	19,423	15,713	15,425	14,827	16,702
- of whom, outside Sweden	20,045	20,434	21,827	21,286	20,990	18,312	14,533	14,196	13,563	15,220

<b>Continuing operations excluding items affecting comparability<sup>2</sup></b>										
EBITA	5,507	4,460	4,984	4,918	4,286	3,521	3,108	2,881	2,463	2,196
EBIT	5,151	4,095	4,642	4,628	4,011	3,331	3,009	2,825	2,399	2,155
Profit before tax	4,976	3,829	4,296	4,375	3,808	3,145	2,888	2,711	2,246	2,037
Net profit	3,780	2,829	3,244	3,318	2,874	2,376	2,137	2,028	1,637	1,527
EBITA margin, %	16.3	14.7	14.8	15.8	15.1	14.7	14.6	14.6	13.2	11.8
EBIT margin, %	15.2	13.5	13.8	14.9	14.1	13.9	14.1	14.3	12.9	11.6
Return on capital employed, % <sup>3</sup>	13.0	9.8	10.9	12.6	11.8	12.0	15.5	17.6	16.7	15.1
Return on shareholders' equity, %	12.2	9.8	11.1	11.6	11.0	10.9	11.7	12.4	11.3	11.1
Earnings per share, SEK	13.95	10.44	11.97	12.24	10.60	8.77	7.88	7.46	6.01	5.60
Operating cash flow <sup>3</sup>	4,347	5,227	4,231	3,948	3,504	3,371	2,284	2,448	2,126	2,121
Operating cash flow per share, SEK <sup>3</sup>	16.04	19.28	15.61	14.56	12.93	12.44	8.42	9.03	7.84	7.83
Cash conversion ratio, % <sup>3</sup>	84	128	91	85	87	101	76	87	89	98
Average number of employees	19,793	19,302	21,018	20,646	20,182	17,263	14,401	14,047	13,403	12,717

<b>Continuing operations including items affecting comparability<sup>2</sup></b>										
Return on shareholders' equity, %	11.8	9.2	7.7	11.2	12.4	10.0	11.2	11.8	9.0	11.7
Earnings per share, SEK	13.53	9.81	8.37	11.79	11.98	8.08	7.49	7.09	4.78	5.91

<sup>1</sup> Figures for 2012 have been adjusted for the transition effects of the amendment to IAS 19.

<sup>2</sup> For comparability, historical values have been adjusted to present the Group's continuing and discontinuing operations.

<sup>3</sup> The comparative figures have been adjusted due to the reclassification of the pension liability from capital employed to net debt.

<sup>4</sup> Excluding investments in right-of-use assets recognized in accordance with IFRS 16.

<sup>5</sup> Average number of shares was adjusted in accordance with IAS 33. This calculation was applied to all key figures that include the number of shares. No dilutive effects occurred.

<sup>6</sup> Dividend in accordance with the proposed treatment of unappropriated earnings.

**FINANCIAL CALENDAR 2022**

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Annual General Meeting (Trelleborg)	April 27
Interim report January–March	April 27
Interim report April–June	July 21
Interim report July–September	October 26
Year-end report 2022	January 27, 2023

**ADDRESSES**

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**Head offices****Trelleborg AB (publ)**

PO Box 153, SE-231 22 Trelleborg, Sweden  
 Visitors: Johan Kocksgatan 10  
 Tel: +46 410 670 00  
[www.trelleborg.com](http://www.trelleborg.com)

**Trelleborg Treasury**

PO Box 7365, SE-103 90 Stockholm, Sweden  
 Visitors: Jakobsbergsgatan 22  
 Tel: +46 8 440 35 00

**Business areas****Trelleborg Industrial Solutions**

SE-231 81 Trelleborg, Sweden  
 Visitors: Johan Kocksgatan 10  
 Tel: +46 410 510 00  
[www.trelleborg.com/industrial-solutions](http://www.trelleborg.com/industrial-solutions)

**Trelleborg Wheel Systems**

Via Naz, Tiburtina, 143  
 IT-00010 Villa Adriana (Roma), Italy  
 Tel: +39 774 38 41  
[www.trelleborg.com/en/wheels](http://www.trelleborg.com/en/wheels)

**Trelleborg Sealing Solutions**

Schockenriedstrasse 1 DE-70565 Stuttgart,  
 Germany  
 Tel: +49 711 786 40  
[www.tss.trelleborg.com/en](http://www.tss.trelleborg.com/en)

**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. The 2020 Annual Report was published in March 2021.

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, 2020. All figures in the section "The year in brief" and "Trelleborg's 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.

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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 approximately SEK 34 billion and operations in about 50 countries. The Group comprises three business areas: Trelleborg Industrial Solutions, 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](http://WWW.TRELLEBORG.COM)