

## 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.